AUGUST 1987 $2.50

Handling AIDS In The Workplace

The Mandated Leave Nightmare

10 Biggest Tax Reform Questions

Nation's Business

Finding The Ethical Edge

You're aware that a subcontractor's bid to your construction company is so low it could ruin him. But you can win a big contract by accepting it. What do you do?

Page 18

If it could only talk.

If it could talk, it could do more than state the big idea to your international clients or associates. It could articulate the spirit behind that idea.

It could illustrate the details. In detail.

It could express your enthusiasm, using the most important business tools you have. Your voice. Your feelings. Your powers of persuasion.

If only it were AT&T International Long Distance Service.

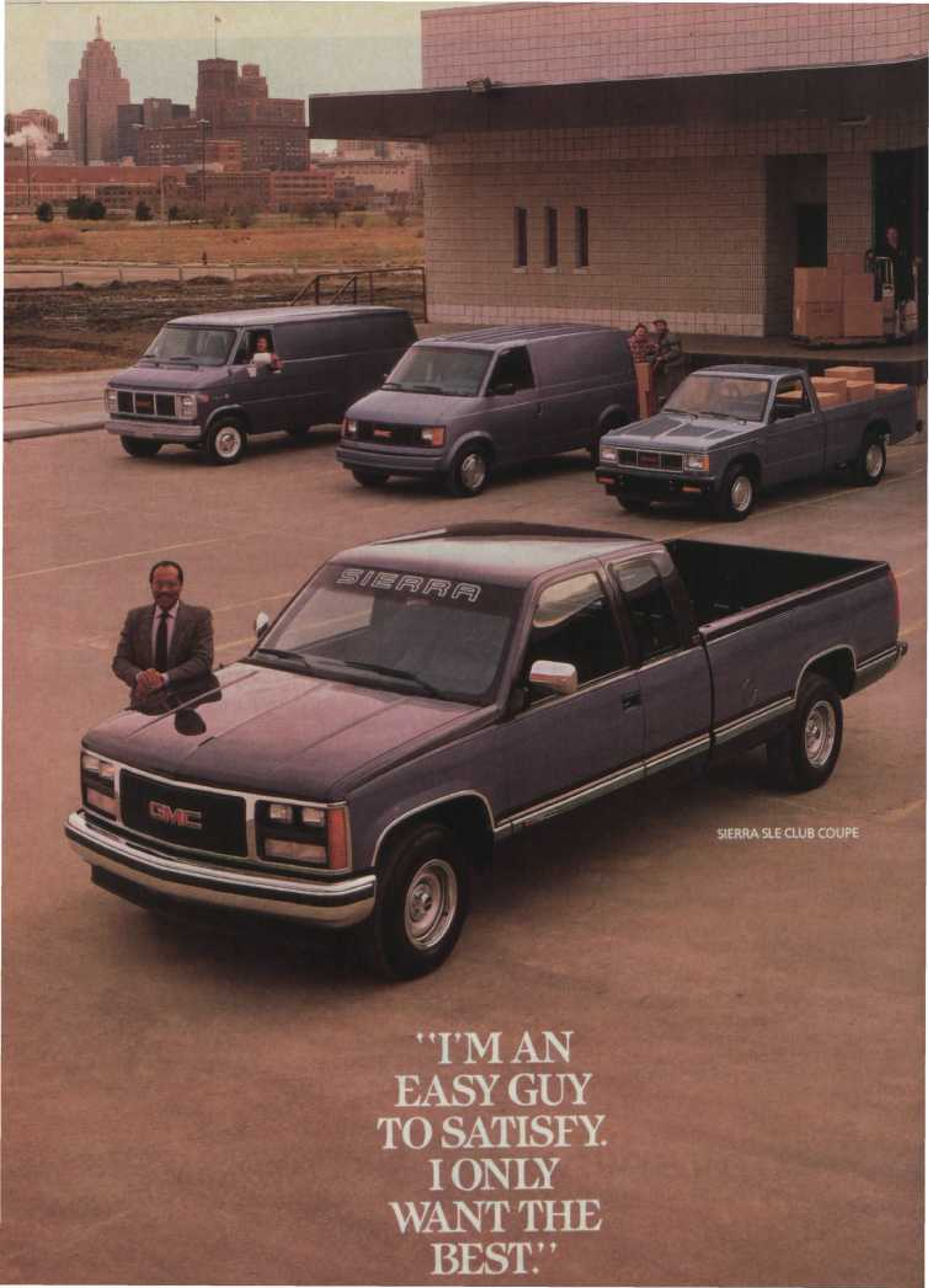
AT&T Comes Through, every time you follow up your business letters with a phone call. And a phone call gives you something else a letter can't. A response. Instantly.

So find out more about how AT&T can help you and your brilliant ideas come through; call 1 800 222-0400, ext. 841.

Your Account Executive or an AT&T Sales Representative will illustrate the details. In detail. And articulate the spirit behind this idea:

From Equipment to Networking, from Computers to Communications, AT&T is the right choice.

AT&T
The right choice.


SIERRA
GMC
SIERRA SLE CLUB COUPE
"I'M AN EASY GUY TO SATISFY. I ONLY WANT THE BEST."

VOL. 75, NO. 8

Nation's Business

*Published by
the U.S. Chamber of Commerce
Washington, D.C.*

MANAGING YOUR BUSINESS

Jack Whiteman, chairman and CEO of a distributor of construction equipment in Phoenix, says that ethical behavior is one of his business' assets. (Page 18)

PHOTO: DON STEVENSON

Alan Emery advises Ellen Segalla and James Davis about how to prepare small businesses to face the crisis of AIDS in the workplace. (Page 36)

PHOTO: ED LALLO

Cover Design: Michael Bierut—Vignelli Associates

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46; and in combination with the newspaper *The Business Advocate*, one year, $50; two years, $85; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-638-6582 (in Maryland, 1-800-352-1450).

DEPARTMENTS

Jerry Brentham created Hydra-Fitness Industries to market hydraulic weight-resistance exercise equipment. Then he sold it. Then he bought it back. (Page 51)

PHOTO: STEVE EARLEY

HOW TO AVOID AN UNEXPECTED CHANGE IN OWNERSHIP.

Your business could be in for quite a shock if one of your partners died. You might find yourself working for one of the heirs. It might also be financially difficult, if not impossible, to buy back the outstanding ownership interests. That's a corporate takeover neither side wants and in which both sides lose. The Prudential can help prevent this kind of unwelcome surprise.

Most entrepreneurs are too busy building their businesses to spend time planning their insurance. That's why The Prudential offers a quick, painless survey of your special needs. We can help uncover and prevent problems before it's too late and, in the process, uncover money-saving opportunities for you.

For example, The Prudential can show you a way to insure your family's financial well-being if your death or disability should cause a loss of income from your business. And it may be possible to realize a nice tax saving by buying your insurance with corporate funds.

Business protection doesn't stop with the owners, either. There's coverage that protects your firm financially if you lose the services of one of your key employees. We can even help you keep people who are important to you by planning attractive executive compensation packages.

And we offer a wide range of other affordable insurance options. Call us now and arrange a free consultation with a Prudential representative. We'll meet with you and, if you like, your attorney or accountant.

You never know when to expect the unexpected.

The Prudential

Insurance & Other Financial Services

COMMENTARY

The Aloha Spirit Of Enterprise

By Sharon Nelton

We know our 50th state as the Aloha State. Men there wear the famous, often gaudy, garments known as aloha shirts, and entertainers welcome their audiences by shouting "Ah-lo-o-o-ha!"

But the spirit of aloha is not just a gimmick. On a recent business trip to Hawaii, I found out for myself that it is a living, complex, subtle and sometimes fragile thing, working its influence on people's personal lives and on their business lives as well.

A Hawaiian word, *aloha* is not easily defined. It is not just a greeting or farewell. It means welcome, love, warmth, compassion, caring, respect and more.

In Hawaii, says one businessman, the management style is "much more laid back, much more patient with people, much more understanding of people."

The spirit of aloha is bred in the local people, many of whom are descendants of the Polynesians who originated the concept. It is absorbed by the individuals who make Hawaii their adopted home, whether they are American mainlanders, Europeans or Asians. And it is part of the fabric of successful businesses in Hawaii.

The corporate philosophy of a Honolulu transportation company called TransHawaiian, posted for all 1,000 employees to see, speaks of the spirit of aloha as "the very foundation upon which Hawaii's lifestyle has been built."

In that spirit, the statement continues, "Our people are dedicated to achieving the highest level of quality possible to attain customer satisfaction."

Seven working principles are then spelled out. Among them: "Let us realize that *sincerity* is the key to quality"; "Let us *respect* what each individual can achieve"; and "Let us each be *responsible* for the quality of our products."

The spirit of aloha permeates the smallest enterprise as well. Taxi drivers rush to open doors for their passengers. I complimented one driver, transplanted from Vietnam, on the cleanliness and comfort of his car. It took him a couple of hours every night to clean and polish it, he said. "It's hard work," he added with a cheerfulness that conveyed caring and pride.

I found aloha in the lovely orchids that graced my plate at nearly every meal. I found it in the friendly young waiter who, on discovering that I was dining alone in the hotel restaurant, said, "I will be your company," and chatted with me pleasantly every time he came to serve my table.

I found it in a little shop in Waikiki called Kitamura's of Kyoto, where I purchased a *yukata*, a cotton Japanese robe. When the saleslady saw that it was too long for me, she said she would shorten it herself at no extra charge. And she did.

Entrepreneurs discover the spirit of aloha helps them launch their businesses. One businessman told me he moved his aquaculture firm from California to Kona because the Hawaiian government went out of its way to cut red tape for him.

Where the spirit of aloha is most vulnerable is in the uneasy relationships between the tourists and the permanent residents and between the Hawaiians and the *haoles*, which can mean "foreigners" but usually refers to whites.

Jack and Charlene Mae Ku'upua'ala Thompson are the founders and owners of Tihati Productions, which provides Polynesian entertainment in hotels throughout the islands. Charlene, better known as Cha, is Hawaiian. Jack was born on a tiny atoll north of American Samoa.

The tourism industry is often resented by the local people, despite its contribution to the economy. As both "children of the land" and beneficiaries of tourism, the Thompsons find they have a role to play as peacemakers.

Visitors expect to be treated in the aloha spirit, but, says Cha, "Aloha is a two-way street. Visitors should not think, 'These people are easy to talk to. They'll give you the shirts off their backs. Let's rip them off.'"

Furthermore, she said, people in business have a responsibility to practice the aloha spirit and not abuse it. Many a business, she argues, has used the word *aloha* for personal gain. The Thompsons believe aloha should mean giving back to the community in which a business builds its success. An entrepreneur who is not community-minded and does not give back, Cha observed, will not get very far with his business.

A former Californian, Rick Ralston took to the aloha spirit almost like a native when he founded his own company called Crazy Shirts, now headquartered in a Honolulu suburb. In the process, he made a fortune selling T-shirts and has built a company where employment is highly sought.

In Hawaii, he said, the management style is "much more laid back, much more patient with people, much more understanding of people and much more caring about them."

What he calls the "Polynesian attitude" has taught him that there is more to life than business.

"We shouldn't be giving up our physical strength and happiness to make a business go," is his message. "We should enjoy life. That's the first thing. Business should support that."

A public relations woman, also a former Californian, was driving me back to my hotel in Waikiki one afternoon. Suddenly, she stopped her car in the middle of a busy street to let pedestrians cross. "I never would have done that in Los Angeles," she confessed.

Courtesy, mutual respect, kindness, sincerity, fair play. The spirit of aloha. We shouldn't have to go to Hawaii to get it. Or give it. NB

Build Your Profits By Managing *Smarter*

With Executive Seminars in Sound

For a surprisingly small investment of time and money, "Executive Seminars in Sound" can teach you the techniques you need for more effective management of ***your*** business.

Each of the eight, easy-to-follow audio cassettes spotlights the challenges you face every day and gives expert advice on how to meet them.

Here's what you can learn:

1. How to Get Your Ideas Across
2. Make the Most of Your Time
3. Your Role as a Decision Maker
4. Better Management of People
5. Mastering the Art of Delegating
6. Organizing Your Plans and Planning Your Organization
7. Strategies of Moving Ahead
8. How to Live with Your Own Success

These 45-minute tapes come in a compact binder to enable you to listen in your car, at home or at the office. You'll also receive a study guide with a written synopsis of each tape.

You'll profit for a lifetime from a $95 investment in "Executive Seminars in Sound." Order your set today. If you are not satisfied, return it within 15 days for a full refund.

Plus by acting now you'll receive a stereo cassette player FREE with your paid order!

Yours *Free* with cassettes purchase.

To prove that "**ESS**" can work for you any time, anywhere—we'll send you this stereo cassette player free with your paid order.

Try it for 15 days FREE

Guarantee: Send me "**Executive Seminars in Sound.**" If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.
☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC ☐ Choice

Card No.__________ Exp. Date__________
Signature__________ Title__________
Name__________ Company__________
Address__________
City__________ State__________ Zip__________

Nation's Business Executive Seminars Division
1615 H Street, NW., Washington, D.C. 20062
California and D.C. residents, add sales tax.
MAIL COUPON TODAY OR CALL TOLL FREE 1-800-345-8112
Pa. residents call 1-800-662-2224
NB0887

COMMENTARY

Letters To The Editor

Employee Theft

I am writing in response to your cover piece "To Stop A Thief" [June].

My company, a waterbed chain with approximately $16 million in annual sales, suffered employee thefts of over $100,000 worth of warehouse inventory in 1984.

We lost another $75,000 at the sales level through loss of such items as heaters and sheets. We allow our salespeople to discount these items as needed to sweeten a sale. Unfortunately, that policy had encouraged some salespeople to cheat by giving away optional equipment without documentation or to falsify paperwork to increase their commissions.

We called in a security consultant to interview all personnel. We discovered many inventory-control problems.

The consultant helped us establish new procedures. We now give a test over the phone to all applicants. Once past that screening, each then takes a written pre-employment test. Then comes interviewing. If an applicant makes it through that, then he or she is given a full security interview (including a polygraph test).

We reinforce our commitment to stopping theft by conducting periodic security-maintenance interviews with all employees—without notice if there is suspicion of theft or if cash is missing.

The biggest hurdle we faced was fear of losing employees when we first instituted our policies and having sales drop as a consequence. In fact, we did lose almost 90 percent of our warehouse staff. We had to back off a bit and add new safeguards more gradually.

Our procedures may seem drastic, but they are well worth it. We are happy with the results since we took a hard stance in this area: Our latest figures show theft has been reduced to 1 percent and should continue to drop now that our newly computerized inventory-control system is on line.

Jack Cedarholm
Security
Waterbed Gallery
Buena Park, Calif.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

While I thoroughly enjoyed and appreciated your cover story, I would like to point out the value of polygraph testing in addressing employee theft.

In a survey of over 1,200 businesses that have used polygraph tests, we found employee theft was reduced by over 10 percent for the majority. Preemployment polygraph testing provided more accurate assessments of applicants' honesty than did traditional background and reference checks. The testing effectively cleared innocent employees from suspicion and deterred employees from theft.

Joseph P. Buckley
American Polygraph Association
Hollywood, Calif.

A CPA can assist the owner of a business in establishing procedures that will minimize the risks of employee theft.

Our firm, for example, regularly receives the statements of our small-business clients directly from the banks. Our reading checks (perusing signatures and payees' names, noting the amounts involved and occasionally looking at endorsements) before any company employee has access to them effectively deters the forging problem referred to in your article.

Robert Chaiken
Aronowitz, Chaiken & Hardesty
Cincinnati

Liability Crisis

In "Solving The Liability Crisis" [June], you outlined some constructive ways of solving a pressing problem. One other proposal merits attention: a government-standards exemption.

Under consideration by several states, such an exemption would free companies from facing punitive damages on products that have undergone pre-market clearance by government agencies such as the Food and Drug Administration.

Developing a medical device or drug can take several years and cost millions of dollars. Add the specter of lottery-like damage awards, and you may end up discouraging future research.

Frank E. Samuel, Jr.
Health Industry Manufacturers Association
Washington

Why did your article fail to mention the gigantic increase in profits reported by the property and casualty insurance industry for 1986? For example, here in Wisconsin alone, American Family Insurance Groups' profits went from under $10 million in 1985 to over $100 million in 1986.

Thomas J. Kelly
Spring Green, Wis.

At the top of page 40, there were two incorrect references to plaintiffs. The author must have intended to refer to defendants.

Henry Josefsberg
Seattle, Wash.

EDITOR'S NOTE: Mr. Josefsberg is correct. The material in question should have read: "In recent years, however, juries have been . . . putting less emphasis on fault and more on a defendant's ability to pay. . . . The trend toward stiff judgments against defendants perceived as having the most resources in a case stems from the 'joint and several liability' doctrine, which allows one of several defendants to be found fully responsible for all damages, regardless of the degree of fault." We regret these errors.

Automatic Cash Flow

Your article "When Customers Don't Pay" [June] caught my attention. A

COMMENTARY

Letters To The Editor

quick and secure collection program is imperative to an organization's overall cash management. It is discouraging to think that a relatively successful business may fail simply because it cannot collect its receivables.

A growing number of companies are conquering this problem by incorporating automatic direct billing, in which funds are transferred on a specified due date.

Better known as electronic funds transfer, this procedure allows a consumer to authorize payments through his or her financial institution. On the day payment is due, the bank debits that amount to the consumer's account and the funds are transferred directly to the payee. Since all transactions take place electronically through the Federal Reserve, no paper checks can be lost in the mail, and companies have more predictable cash flow.

Cheryl D. Mumma
Marketing Coordinator
Checkfree Systems, Inc.
Columbus, Ohio

Minimum Wage—Maximum Controversy

I just finished reading "Minimum Wage Myths" [June], in which you describe the arguments being used to support an increase in the federal minimum wage. The article also reports that delegates to the annual meeting of the U.S. Chamber of Commerce said that a higher minimum wage would force them to raise prices, cut existing work forces, defer new hiring or reduce number of hours that present employees work.

In the health-care area, particularly nursing homes, we cannot raise prices because our reimbursement is determined by the state welfare department. Seventy-eight percent of our patients are welfare patients, and reimbursement for their care is notoriously low. We cannot cut work forces, reduce hours or defer hiring, as we must provide a set number of hours of care as determined by the Department of Health. We would have no alternative but to pay the increased wages. But that would force us out of business. In no way could we absorb these costs

Nation's Business

The United States Chamber of Commerce, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

unless the states could reimburse us at a higher rate. But the states are already overburdened with health-care costs for the elderly.

The Senate Committee on Labor and Human Resources and the House Committee on Education and Labor had better do some *serious* homework before voting on raising minimum wage rates.
Marlene L. Braham
Administrator
Rolling Fields Nursing Home, Inc.
Conneautville, Penn.

Do the principal sponsors of minimum-wage legislation and owners of American businesses realize that the current and proposed minimum wages have already condemned minimum-wage workers to poverty through 1995? Do they realize wage increases and bonus incentives are prime motivators in bettering work habits? Do they realize that better wages will motivate their employees to stay longer, thereby decreasing the need for so many entry-level, trainee positions?
Jimmie Finn
Tyler Tex.

An increase in the minimum wage would help distribute income more equitably among the people in the United States. If anyone should lose because of this law, it surely should be the wealthy business executives. But I'm sure they would rather lay off employees than take cuts in their incomes.

I had hoped your biased reporting on this issue was not an indication that the majority of your readers are as greedy and uncompassionate as your writers. Unfortunately, your June poll ["Where I Stand"] results would indicate that they are.
Gregory Hickel
Lawrence, Kans.

EDITOR'S NOTE: When asked if Congress should raise the minimum wage to $5.05 an hour, 84 percent of our readers responded "no"; 14 percent said "yes"; and 2 percent were undecided.

Corporate Invaders?

"The Corporate Immigrants" [April] showed only the positive possibilities while completely ignoring the many serious negative consequences of the overwhelming increase of foreign companies, especially Japanese, operating on American soil.

Japanese companies are hardly immigrants. Their profits go to parent companies and stockholders abroad. So, while American companies are strapped for cash, Japanese companies are increasing profits along with their leads in production of goods and in technological development.

Second, these Japanese companies are squeezing many American firms out of business. Rather than create new business, Japanese companies attack the very infrastructure of the American economy in such industries as autos, machine tools and computers.

Third, there is a very real threat to our autonomy as foreign companies buy up American real estate and companies. Foreign CEOs will be able to determine the direction of the American economy.

Fourth, what happens when the dollar goes up again and it is no longer convenient for Japanese to manufacture in the U.S. to get around European tariffs (and in Europe to get around ours)?
James Myers
Cambridge, Mass.

Marketing Board Members

I know of few CEOs who don't recognize the importance of marketing in the '80s. And I know of even fewer companies that don't claim to be (or at least want to be) marketing-oriented. That's why I'm mystified by the near-total absence of marketing representation that I see on corporate boards of directors.

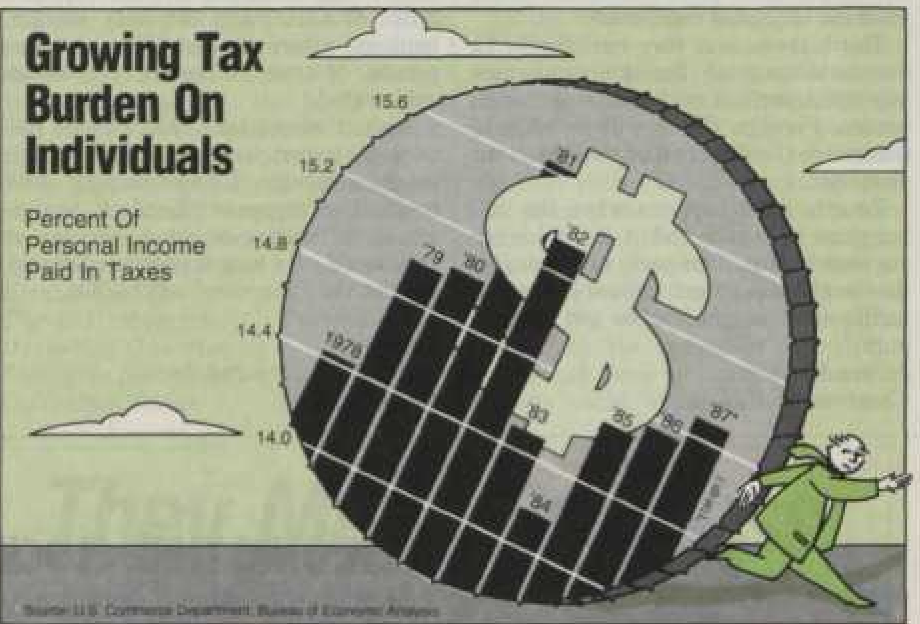
A random sampling of names and titles from about 100 annual reports showed that in addition to the expected cadre of CEOs and company officers, bankers, attorneys and CPAs, not one person of true marketing persuasion was seated.

Isn't it about time that boards balance their perspectives and face their tough strategic decision-making with marketing representation? A professional, marketing-oriented director or two would go a long way toward stomping out the "boardom" of the '80s.
Jay Clemens
President
Turtledove Clemens, Inc.
Portland, Ore.

The Nation's Business

By Joan C. Szabo

Business Outlook



Source: U.S. Commerce Department, Bureau of Economic Analysis

DESIGN: KIMBERLY HILLMAN; ILLUSTRATION: MARY I. CZARNIK

Battling The Tax Steamroller

Private-sector economic experts see the tax-increase push by Democratic lawmakers as a threat to hopes for improvement in the economic growth rate.

Economists in the forecasting division of the U.S. Chamber of Commerce, for example, anticipate that 1988's economic growth rate will exceed this year's only if Washington doesn't do something counterproductive, like raising taxes.

Congress recently approved a 1988 budget resolution that includes $19.3 billion in tax increases in the fiscal year beginning October 1. The measure does not specify how the revenue will be raised. The job of identifying sources of the higher revenue now falls on the tax-writing committees in both chambers. One option being mentioned would deny upper-income individuals the full relief promised in the Tax Reform Act of 1986. Others would raise various excise taxes.

But the current tax burden on individuals is already up to uncomfortably high levels as a share of income, says Richard Rahn, vice president/chief economist of the U.S. Chamber.

Using figures from the Commerce Department, Rahn notes that total taxes paid by individuals as a percentage of income have increased from slightly over 14 percent in 1984 to 14.8 percent in the first quarter of this year.

As the tax-hike push continues to pick up steam, a newly formed Coalition Against Tax Increases is mobilizing to stop the effort dead in its tracks.

The coalition is made up of business and citizens groups, including the U.S. Chamber of Commerce, the U.S. Business and Industrial Council, Citizens for a Sound Economy and the National Taxpayers Union.

David Burton, chairman of the coalition and manager of the U.S. Chamber's Tax Policy Center, predicts that, even if the Democratic-controlled Congress passes a tax increase, "the coalition will successfully sustain a veto."

The board of directors of the Chamber recently voted to strengthen its opposition to tax increases by going on record against "any tax increases at this time." Previously, the Chamber's position was opposition to "major tax increases." The business federation's action reflects its position that reduction of the federal budget deficit can be achieved through spending restraint and that any tax increases would only be used to fuel more spending.

Keeping The Plastic Handy

Despite reports of credit overload among consumers, Americans have not sworn off their credit cards, reports Opinion Research Corporation, a survey firm headquartered in Princeton, N.J. Individuals are using revolving-credit and charge cards more now than they did last year, the company found in a recent survey.

Half of the consumers polled say they are using credit cards as frequently or more frequently than they did a year ago, when 45 percent were in that category.

The survey is based on telephone interviews with a random sample of 1,027 adults nationwide.

A Blossoming Work Force

Despite the falling birth rate of the past 20 years, the U.S. labor force will continue to expand, says Sar A. Levitan, a George Washington University professor of economics.

Levitan recently looked at the future shape of work in America in a report titled, "The Workplace in 1997." Among his findings: The labor supply will continue to grow as older workers remain in the work force longer, increasing numbers of women enter the job market and this country remains a magnet for immigrants seeking jobs here.

Business People Upbeat

Business optimism is on the rise, according to the latest Dun & Bradstreet Business Expectations Survey of more than 1,400 executives. Third-quarter business optimism is at the highest level in three years, the survey finds.

The major factor behind the rosier expectations is an improving trade picture. "Orders for U.S. exports are rising, and we are becoming more competitive against foreign imports in our

One more reason the Citibank Preferred® Visa solves your travel and entertainment problems.

Apply for this card by October 31, 1987

Your acceptance earns this book FREE!

To find out about the Citibank Preferred Visa card, turn the page.

FOLD, MOISTEN HERE, SEAL AND MAIL

CITIBANK PREFERRED® VISA CARD

PERSONAL DATA

First Name, Middle Initial, Last Name

Home Phone Area Code ( ) ☐ Own Home ☐ Own Condo/Co-op ☐ Rent ☐ Other

Home Address Number and Street — Apt. No.

City, State and Zip Code — Years There

Previous Home Address (If Less Than 2 Yrs. at Current)

City, State and Zip Code — Years There

Social Security Number

Date of Birth Mo/Day/Yr — No. of Dependents (Include Yourself)

PERSONAL REFERENCE

Name of Close Friend or Relative not living with you

Street Address

City, State and Zip Code — Home Phone Area Code ( )

YOUR JOB

Business Name or Employer — Years at Job

Check Here ☐ If Retired ☐ Self-Employed ☐ If Retired, Former Employer

Business Address Number and Street

City, State and Zip Code

Business Phone Area Code ( ) — Position

By signing below I authorize Citibank (South Dakota), N.A. to check my credit history. If I am issued a Citibank Preferred Visa card I authorize you to exchange information about how I handle my account with proper persons and with credit bureaus. I am aware that information gathered about me is used to determine my eligibility for this card and any renewal or future extension of credit. I am also aware that if I am approved, I will receive a credit line of at least $5,000 and that as a cardmember I can apply for additional credit, up to $50,000, if I so desire. I authorize my employer, my bank, and any other references listed above to release and/or verify information to Citibank (South Dakota), N.A. in order to determine my eligibility for the Citibank Preferred Visa card. If I ask, I will be told whether or not consumer reports on me were requested and the names of the credit bureaus, with their addresses, that provided the reports. If I permit my spouse to use my card, I understand that account information will also be reported to credit bureaus in my spouse's name.
I understand that if I use the card or authorize its use or do not cancel my account within 30 days after I receive the card, the Citibank Preferred Visa card Agreement sent to me with the card will be binding on me.

☐ Applicant's Signature — Date

FINANCIAL INFORMATION

Primary **Annual** Income

***Please Note:** Your total annual income from all sources must be at least **$40,000** to be considered for Cardmembership. You may include alimony, child support, spouse's annual income, separate maintenance or other income for this application, however you are not required to do so.

Amount of Other **Annual** Income — Source(s) of Other **Annual** Income*

Address of Source

Monthly Rent or First Mortgage Payment, Maintenance Fees if Applicable (If None, List Taxes)

Monthly alimony, child support or maintenance that you pay, if any

CREDIT REFERENCES

Checking account reference ☐ Personal ☐ Business — Bank Name

Bank Address

Account Number

Money Market Funds, Savings Account, CD/Treasury Bills

Account Number — Amount in Program

Do you have a Citibank MasterCard and/or Visa Acc't? ☐ Yes Acc't. No.(s) ☐ No

Do you have an American Express Acc't? ☐ Yes Acc't. No.(s) ☐ No

☐ Do you have any of the following credit references held in your name or jointly? If yes, please fill in your estimated **monthly** payment.
Auto Loan $ ____ Personal Installment Loan $ ____
Home Improvement Loan $ ____ Second Mortgage $ ____

FOR ADDITIONAL CARDS

Would you like an additional free card for a member of your family or household? ☐ Yes ☐ No

If yes, full name of user — Relationship

628834H1

FOR BANK USE ONLY

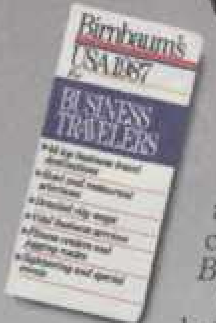
Nat. Bus. Aug. '87

In order to be considered for a Citibank Preferred Visa card, you must complete and sign this application. Omission of any of the above information may delay the processing of your Citibank Preferred Visa card application or be grounds for denial. Do not send payment of the $50 annual fee; you will be billed later. Please tear at perforation, fold, seal and mail to: Citibank (South Dakota), N.A., P.O. Box 6058, Sioux Falls, South Dakota 57117-6067.

FOR FASTER PROCESSING, PLEASE FILL OUT COMPLETELY AND BE SURE TO SIGN THIS APPLICATION.

CITIBANK
A CITICORP COMPANY

Avoid the frustrations of travel with the Citibank Preferred Visa.



By applying for a Citibank Preferred Visa card today, you can help avoid the frustration of travel in a number of important ways…

First, upon approval of your application, we'll rush you a *FREE* copy of *Birnbaum's USA 1987 for Business Travelers.*

Containing detailed information on hotels and restaurants in America's 44 top business travel destinations *plus* detailed city maps, locations of important service facilities, and much, much more, the travel guide can help make your trips more enjoyable and profitable than ever before.

Then, you'll enjoy all the added advantages of the Citibank Preferred Visa card itself. More than are available with any other card in America today. For example…

- It offers you an automatic credit line of $5,000 to $50,000.* (The American Express® Gold card offers you only a $2,000 minimum, with higher limits available only at the discretion of the sponsoring institution.**)
- It is accepted at over 5 million locations. (Nearly 3 million more than American Express.)
- It gives you immediate access to up to $5,000 cash at over 150,000 offices and ATMs. (Nearly twice as many cash machines as the "other" card.)
- It also offers you such added benefits as immediate replacement of airline tickets, $350,000 worth of FREE common carrier insurance, and reduced rate membership in our CitiDining® club, that entitles you to up to a 25% discount at over 1200 restaurants in 16 major U.S. cities.

So, if your household income is at least $40,000, discover the solution to travel frustrations by sending in the application today.

The Citibank Preferred Visa card. It offers you travel convenience and so much more.

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 1536, SIOUX FALLS, SOUTH DAKOTA

POSTAGE WILL BE PAID BY ADDRESSEE

CITIBANK (SOUTH DAKOTA), N.A.
P.O. Box 6058
Sioux Falls, South Dakota 57117-9967

CITIBANK
A CITICORP COMPANY

PLEASE DETACH ALONG DOTTED LINE, FOLD, SEAL AND MAIL.

domestic markets," says Joseph W. Duncan, corporate economist and chief statistician for Dun & Bradstreet, the New York-based business information and services marketer.

Curbing Workplace Drug Habits

Recent statistics show that as many as 23 percent of all U.S. workers use dangerous drugs while on the job. The cost to employers is a staggering $60 billion a year in lost production, increased absenteeism, workplace accidents, rising medical costs and thefts.

To help employers deal with this growing problem, the U.S. Chamber of Commerce has published *Drug Abuse in the Workplace: An Employer's Guide For Prevention*. It provides guidelines for establishing workplace programs for preventing drug abuse, spotting drug-related problems, determining which workers should be tested for drug use and when and how the tests should be administered.

Single copies are $15 for members and $30 for nonmembers from the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H St., N.W., Washington, D.C. 20062. Request Publication #6972. NB

When selling a business, "don't be the first to mention price," says S.E. Sanderson, Jr., president of Geneva Corporation. You may cheat yourself out of a higher offer.

PHOTO: TERRY JOHN

Small Business Report

Selling A Company Successfully

Although the average business owner may sell one company in his working life, the sophisticated buyer may purchase an average of seven businesses every two years, says S.E. Sanderson, Jr., president of Geneva Corporation, merger and acquisition specialists headquartered in Costa Mesa, Calif.

This puts the seller at a distinct disadvantage. "It's a mismatch, because the inexperienced seller will make a variety of mistakes," he says.

To help sellers realize the full profit potential of a business and avoid costly mistakes, Sanderson offers the following tips:

- Don't undervalue your business. Private business owners often minimize profits to reduce taxes and so their financial statements don't reflect the true profits and value of the firms.
- Consider more than just local buyers. "One of the biggest mistakes is thinking that the best buyer is a local competitor, customer, supplier or an employee. But they could be the worst." Why? If the deal falls through, and many do, then a lot of confidential company information may have come to light.

"In most cases, the best buyer is someone seeking entry into a marketplace."

- Understand the buyer's motive. Buyers are looking for return on investment and growth potential. Too often a seller will dwell on past performance instead of emphasizing the future potential of the company.
- Don't be the first to mention price. "Most amateurs do, and an experienced buyer, who may have been thinking of a higher price, will immediately make you a lower offer."

Privatization: Boon For Smalls

Small businesses can help the federal government become more efficient at lower cost to the taxpayer, witnesses told the Subcommittee on Antitrust, Deregulation and Privatization of the House Small Business Committee.

The panel recently held hearings on privatization, its effects on small business and application at the local and state levels.

Under privatization, production and service activities conducted by government agencies are turned over to the private sector.

Privatization can be accomplished either by contracting with companies to produce goods or provide services or through the outright sale of government assets to private parties. The recent sale of the Conrail system was an example of the latter.

The House subcommittee heard from city officials who have implemented privatization programs.

In addition, Frank S. Swain, the Small Business Administration's chief counsel for advocacy, told the subcommittee that contracting out government commercial activities is good for the government and good for small business. He called for an increase in federal privatization efforts (see related article, page 54).

Swain also noted that the No. 3 recommendation of the 1986 White House Conference on Small Business was to urge a prohibition of direct, government-created competition in which gov-

This Month's NB TIPS

If you are self-employed, either part- or full time, the new tax law lets you deduct 25 percent of family health insurance payments. The deduction is not allowed, however, if the health insurance payments exceed your earned income for the tax year and if you are eligible to participate in a subsidized accident and health plan offered by an organization employing you or your spouse, either part- or full time.

If the new immigration law is causing you grief, consider a new software package called "irca-minder," designed to guide users through the law's complicated documentation procedures. It's available from Inside Resources, Inc., 1401 Walnut Circle, Carol Stream, Ill. 60188.

ernment organizations perform commercial services.

"Small firms are efficient and expedient and operate with minimal waste," he said. "They are ideally suited for many government contracts because of their competitive nature."

Recent Defense Department figures, he said, show cost savings averaging 33 percent on activities contracted to private businesses. And, he added, 82 percent of those contracts were won by small businesses.

"The hearings represented the first time that privatization has had a positive review from any congressional committee," says Frank Sellers, director of the Business Alliance on Government Competition. The alliance, which is headquartered at the U.S. Chamber of Commerce, is a coalition of trade associations formed to fight government competition with the private sector.

The Competition Savings Act of 1987, which has been introduced in the House, would require Uncle Sam to contract with the private sector whenever the products and services can be purchased at a lower cost.

Additional hearings are planned for the fall. NB

Washington Roundup

Blocking Labor's Agenda

As Congress prepares to depart for its midterm recess, business remains locked in a tough battle with organized labor over a host of union-supported bills.

"Labor is intent on trying to win legislatively what they've lost at the bargaining table," says Frederick J. Krebs, director of the Employee Relations Policy Center of the U.S. Chamber of Commerce.

Among the measures on labor's far-reaching agenda are mandated health-care benefits; a higher minimum wage; advance notice of plant closings; notification of occupational health risks; a ban on so-called double breasting, in which a construction company can have both union and nonunion operations; adoption of the comparable worth concept in setting pay scales; and a ban on polygraph tests by employers.

Support of organized labor was a major factor in helping the Democrats regain control of the Senate in the 1986 elections and maintain a strong majority in the House. Labor leaders expected to translate that support into legislative victories, and their ambitious program received a warm welcome from key Democrats on labor issues when it was presented at the outset of the new Congress.

AFL-CIO Executive Howard Samuel recently made the most revealing statement to date on the extent of organized labor's involvement in the congressional process for dealing with labor issues:

AFL-CIO executive Howard Samuel openly boasts of labor's edge in Congress this year. "We control the committees and the agenda on the floor," he says.

"We control the committees and the agenda on the floor."

"That's right," says the Chamber's Krebs. "Business is on the defensive and faces a tremendous struggle. The fact is that you have a President who is perceived to be weakened. You have a very aggressive labor movement, and the two main committees in the House and Senate that deal with labor issues are very strongly pro-labor."

Krebs predicts the toughest fights for business will be on the minimum-wage, plant-closing and double-breasting bills and the notification of risks. On notification, business says adequate requirements are already in place.

Despite the tough labor offensive, Krebs says that "if business groups remain unified and resist labor's push to play one group against the other, most, if not all, of labor's agenda can be blocked."

Curbing Physician Dispensing

Legislation to limit drug dispensing for profit by physicians recently cleared the House Energy and Commerce Committee.

Under the bill, doctors could charge patients only for orally administered prescription drugs dispensed in emergencies or when they determine the patients would have difficulty in obtaining the medication from a pharmacy. Physicians in rural areas would be exempt from the restrictions.

Rep. Ron Wyden (D-Ore.), sponsor of the House bill, says federal legislation is necessary because the Federal Trade Commission has informed several states that have tried to regulate physician dispensing that limiting such activity may violate federal antitrust laws.

The American Medical Association opposes the concept of dealing with the question through federal controls and argues that dispensing is a state issue, not a federal one.

The bill now goes to the House Judiciary Committee, which has asked for jurisdiction. It will review, among other things, the competitive effects of the measure.

Awards For Quality

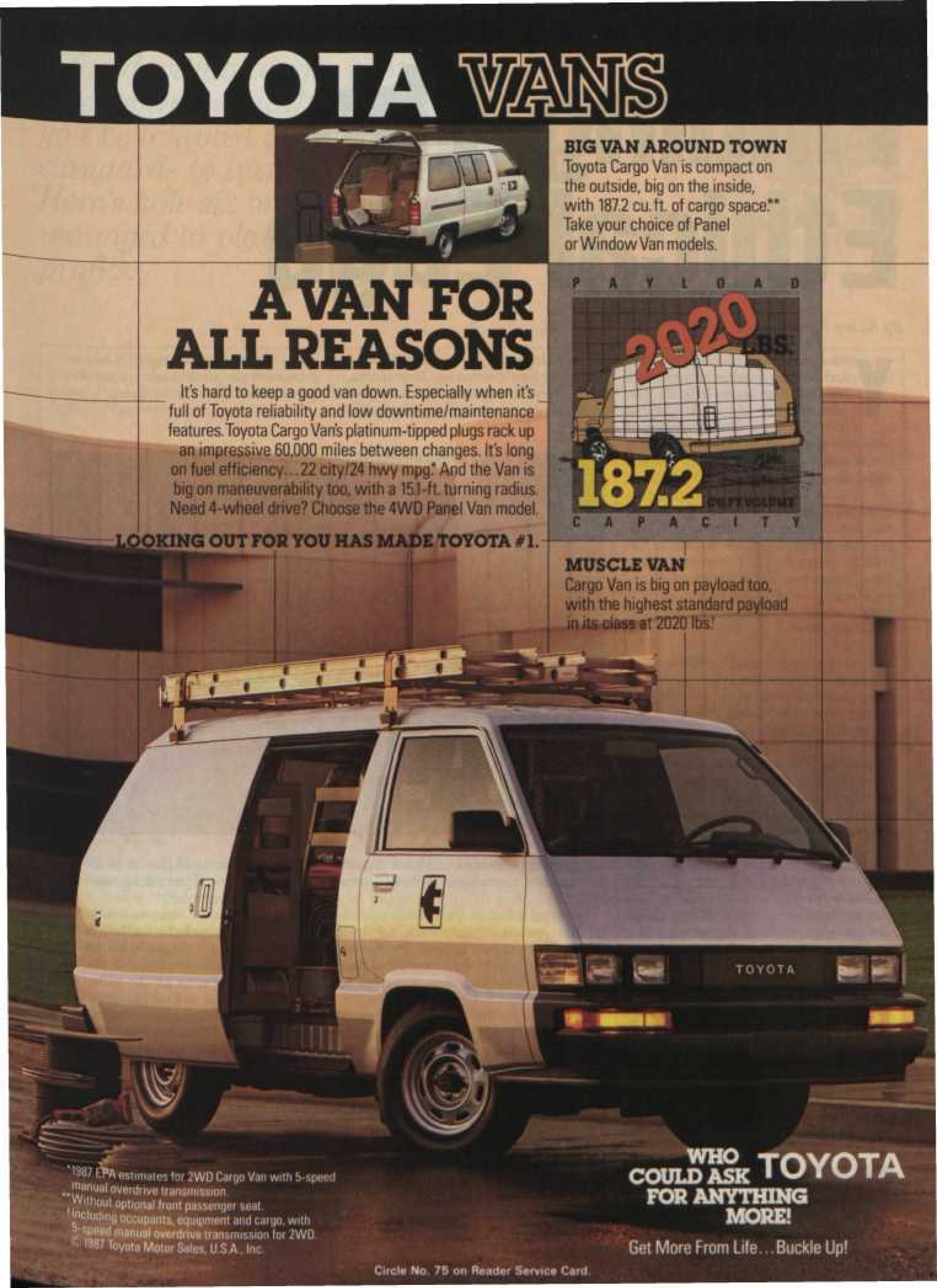
The House recently passed legislation (H.R. 812) to establish a program of presidential awards to U.S. companies that do the most to improve the quality of their goods and services. A similar bill was recently introduced in the Senate.

The awards would be made by business categories and would include service companies and small businesses.

The program, say supporters, would be similar to Japan's Deming Prize, which is given annually to firms that have done the best job of promoting quality throughout their organizations.

The Japanese prize was set up by Dr. Edwards Deming, an American and a major participant in the effort to get Japanese industry back on its feet after World War II.

No federal funds would be used. Private contributions and perhaps a fee from applicants would finance the awards program. NB


TOYOTA VANS
BIG VAN AROUND TOWN
Toyota Cargo Van is compact on the outside, big on the inside, with 187.2 cu. ft. of cargo space.** Take your choice of Panel or Window Van models.
A VAN FOR ALL REASONS
It's hard to keep a good van down. Especially when it's full of Toyota reliability and low downtime/maintenance features. Toyota Cargo Van's platinum-tipped plugs rack up an impressive 60,000 miles between changes. It's long on fuel efficiency...22 city/24 hwy mpg.* And the Van is big on maneuverability too, with a 15.1-ft. turning radius. Need 4-wheel drive? Choose the 4WD Panel Van model.
LOOKING OUT FOR YOU HAS MADE TOYOTA #1.
PAYLOAD
2020 LBS.†
187.2
CU. FT. VOLUME
CAPACITY
MUSCLE VAN
Cargo Van is big on payload too, with the highest standard payload in its class at 2020 lbs.†
TOYOTA
*1987 EPA estimates for 2WD Cargo Van with 5-speed manual overdrive transmission.
**Without optional front passenger seat.
†Including occupants, equipment and cargo, with 5-speed manual overdrive transmission for 2WD.
© 1987 Toyota Motor Sales, U.S.A., Inc.
WHO COULD ASK FOR ANYTHING MORE!
TOYOTA
Get More From Life...Buckle Up!
Circle No. 75 on Reader Service Card.

COVER STORY

Finding The Ethical Edge

By Karen Berney

You run a construction company and receive a bid from a subcontractor. You know it is 20 percent too low and could put the sub out of business. But accepting it will improve your chance of winning the contract for a big housing project. ***What do you do?***

You spend months negotiating a deal to sell your equipment in Japan. You deliver the product, and the Japanese distributor tells you it is not what the customer expected. They want you to re-engineer the equipment even though it clearly meets the written specifications. ***What do you do?***

You want to trade in a foreign market where cash under the table is part of doing business—so much so that you cannot open a business without going along. ***What do you do?***

You are a land syndicator. You buy a hotel and later discover that it will never turn a profit. Investors have already sent you checks to get in on the deal. ***What do you do?***

You manage an upscale mobile-home park for the elderly and maintain high quality by strictly enforcing rules. You hike rents to support the park's facilities and services. A group of residents on fixed incomes say they cannot pay and will be made homeless if rents rise. ***What do you do?***

A small community where your mining company has always operated peacefully turns against you: It passes an ordinance laying title to 15 acres of your property. You could probably win a lawsuit against the town, but that would sour the relationship. ***What do you do?***

Robert George, CEO of Medallion Construction Company, Merrimack, N.H., is suing a partner who broke a promise. No company can survive if it acts unethically, he says. "It has to deal with people like me . . . people who refuse to give it business."

PHOTO: RICK FRIEDMAN—BLACK STAR

What *do* you do when ethical principles seem to collide with the bottom line and the choice between right and wrong is less than patently clear? The foregoing examples represented this kind of a dilemma for six small and mid-sized companies.

Yet all got out of their binds ethically—and profitably. Indeed, as Jack Whiteman, CEO of Empire Southwest, a heavy-equipment distributor in Phoenix, put it, "good ethics is money in your pocket."

Not only do these companies show that high ethical standards translate into high profits, but they also speak of using ethics to achieve long-term goals, of gaining an "ethical edge." That edge enables them to attract talent, win loyal customers and suppliers and earn the public's good will.

Yet striving for the ethical edge, as these companies painfully learned, sometimes calls for letting an opportunity slip by or incurring a short-term financial loss. But, says Robert George, CEO of Medallion Construction Company in Merrimack, N.H., "it is like the old adage says: 'Everything that goes around comes around.'"

It was precisely this reasoning that persuaded George to be forthright with the subcontractor he believed had bid too low.

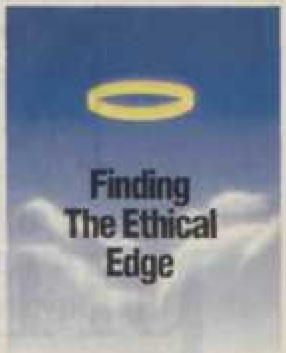
"We were bidding as the prime contractor on a $2.5 million public-housing project. A local electrical subcontractor submitted a bid that seemed 20 percent too low; it was $30,000 below the quotes of four other subcontractors.

"If we took it, we would probably come in with the best price and win the contract," says George.

"We didn't have a lot of time to decide. In this business, subs deliver their estimates just a few hours before the prime contractor must submit his bid, so you won't have time to play one subcontractor off against the other.

"At first, I considered accepting the

If faced with a tough, profit-threatening ethical dilemma, would you be tempted to compromise your standards to improve the bottom line? Here's how six business people managed to play fair and still win profits.



When East meets West, there can often be ethical misunderstandings, learned David Lincoln, of Lincoln Laser, a Phoenix maker of inspection equipment. He urges colleagues to sensitize themselves to the differences between American and foreign business practices.

PHOTO HARRY REDL—BLACK STAR

bid," George continues. "But I realized that I would be buying more trouble than it was worth." Suppose the subcontractor had gone belly-up in the middle of the project? George would have had to find a replacement while construction fell behind and costs mounted.

Pragmatism aside, George's conscience nagged him. Was it right to use figures that George knew would lead to cost overruns? That could leave an indelible stain on his company's reputation. And what about the sub? "I asked myself," he recalls, " 'Is it fair to allow someone to screw up when they don't know it and you do?' "

George tossed out the low bid but wondered how to explain it. "I just didn't want to see this small business go under," he says. Yet he also didn't want to disclose information that could hurt the sub's competitors. "I called the guy on the phone and said, 'Look, I'm not going to tell you what your competitors bid, but your number is very low—in my opinion, too low.' " The subcontractor withdrew his bid but Medallion won the contract anyway.

A year later George had a bid from the same subcontractor on another project; the sub's quote was again low. "He was offering me a 2 percent discount off the street price," says George. "He said it was because he remembered how I had treated him a year earlier. . . . It showed me that when you do something positive, it comes back to you in a positive way."

Of course, it doesn't always work that way. A few months ago George terminated a contract with a failing developer under an agreement that Medallion be paid $185,000, the first $25,000 to be delivered at settlement. The developer arrived empty-handed and asked George for a two-week extension. "I took his word and agreed," he reports.

The two weeks came and went without a check. That was last March. In late June, George informed the developer that he would see him in court.

Although George says he will "certainly think twice next time about giving someone a second chance," he stresses that he is not a cynic. "When you take that attitude, you open the door to immorality. I consider what happened to be a bad judgment call about the other guy's ethics."

George suffered because his ethics clashed with the developer's. Throw in differences in language and culture and, say experts, the potential for ethical conflict magnifies exponentially.

David Lincoln, president of Lincoln Laser Company, a $5 million-a-year manufacturer in Phoenix, thought he had an airtight deal with a Japanese distributor. Having spent months dissecting the innards of Lincoln's $300,000 machine that scans printed circuit-board wiring for minute cracks and breaks, the Japanese finally ordered eight.

When the first machine arrived, however, the Japanese complained. "They thought it should inspect every type of printed circuit board, even though we had explained repeatedly that it was suitable only for a certain class of boards," says Lincoln.

The Japanese wanted the machine's computer software to be rewritten—an effort that would require Lincoln to pull engineers from another project and raise additional funds.

Lincoln's gut reaction was that the Japanese were being unfair. "The equipment definitely met the written specifications," he points out. "Our thinking was, 'Hey, you got what you ordered, now pay up.' "

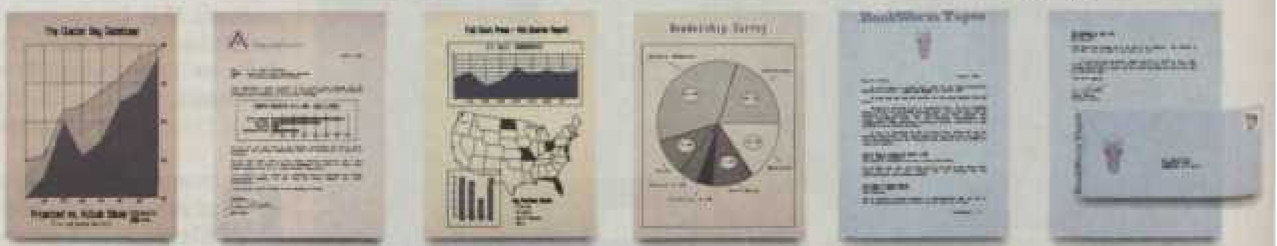
On the other hand, he says, "I think

New power to the printed page.

The new IBM printers.

Most of what shows up on your computer screen is seen by just one person. You.

But what comes out of your



printer goes out to the world.

So it has to look professional, and getting it done has to be easy; virtues that have made IBM® personal printers best-sellers.

The IBM Proprinter™ and the IBM Quietwriter® Printer have earned high marks from both customers and critics.

Now our printers are even better, and we've added new members to the existing family.

The IBM Proprinter II.

What made the original IBM Proprinter so popular was speed, versatility and convenience.

So what do you get more of in the Proprinter II?

Speed, versatility and convenience. There's now Fastfont,™ an extra-fast draft mode. Switching to "near letter quality" is faster too, because now there's a button for changing modes.

There's also a choice of typestyles, and of course you can still load envelopes from the front and put in single sheets any time you want.

The IBM Proprinter II.

The IBM Proprinter II is for anyone who wants to print both text and graphics, with a printer that's fast and economical.

The IBM Proprinter X24 and Proprinter XL24.

The IBM Proprinter X24 and Proprinter XL24 are new. The "24" stands for 24-wire technology. What *that* stands for is new levels of Proprinter quality for everything

you put on paper.

Both models print letter quality text with greater detail and graphics with better density and definition.

The improvement is easy to see.

So is the performance. When

The IBM Proprinter X24 with optional sheet feed.

The IBM Proprinter XL24 has a wide carriage, ideal for spreadsheets.

compared to current, best-selling, comparably priced 24-wire printers, the Proprinter X24 and Proprinter XL24 print 1½ to 2 times the draft output in the same amount of time.*

The Proprinter XL24 has a wide carriage for spreadsheet printing, and both have an optional sheet feed for added paper-handling convenience, plus FontSet,™ an option that lets you choose from 11 other typestyles.

The IBM Quietwriter III Printer.

Earlier IBM Quietwriter printers have always been easy on the ears, but the new IBM Quietwriter III Printer is even quieter and goes nearly twice as fast, printing executive letter quality text and graphics in an executive hurry.

There's new flexibility in style, as well. The Quietwriter III Printer comes with four different type fonts built in and you can combine typestyles within the same document.

If that's not enough, there are optional font cartridges that give you the freedom to use up to eight typestyles on one page.

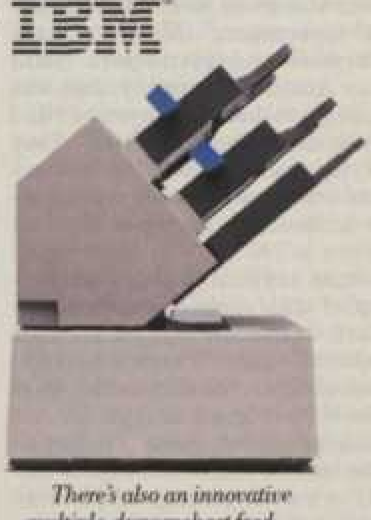
There's also a new dual-drawer sheet feed (with optional envelope feed) that lets you use letterhead stationery for the first page of a letter, then plain paper for the rest.

No matter what level of price or performance you need, there's an IBM personal printer to fit the bill. And they fit very nicely with the IBM Personal System/2.™

So call your IBM Marketing Representative, or visit an IBM authorized dealer.

For the dealer nearest you, call 1-800-447-4700, ext. 9. (In Alaska call 1-800-447-0890, in Canada 1-800-465-6600.) IBM®

The IBM Quietwriter III Printer with single-drawer sheet feed.



There's also an innovative multiple-drawer sheet feed.

*Based on an independent evaluation using PC Magazine Labs Benchmark Series.

Empire Southwest, a distributor of construction equipment in Phoenix, refused to pay bribes and got the business anyway. "I think it's our payoff for always treating our integrity as one of our most valuable assets," says CEO Jack Whiteman.

PHOTO: DON STEVENSON

we expected the Japanese to act like American customers, but they are not as adaptive. We didn't take the time to sensitize ourselves to the cultural differences."

Moreover, Lincoln was worried about the future. Suppose he played hardball and sued the Japanese. He might get part of his $2.4 million, but only at the cost of destroying his credibility with an influential Japanese company. Word could get around that "Lincoln Laser cannot be trusted, and we would probably wind up on Japan's blacklist," he says.

Lincoln decided to accommodate the Japanese. Fortunately, he was successful in securing capital for the undertaking. Otherwise, he admits, he would have faced the painful prospect of abandoning both his ethical principles and the Japanese market.

Recognizing that American and foreign business practices do not always mix, Congress passed the Foreign Corrupt Practices Act in 1977 to prohibit payoffs in exchange for lucrative overseas contracts. But even before the law, Empire Southwest, a distributor of Caterpillar equipment in Phoenix, managed to play fair and earn profits.

Throughout the 1960s, Empire was shut off from the Mexican market because the company refused to give *mordita* (translation: a "little bite")—the Spanish euphemism for a payoff and a practice Whiteman believed was common at that time.

All the while, the firm's position, says CEO Jack Whiteman, "actually raised our stature in Mexico beyond our wildest expectation." Mining companies, farmers and contractors heard about an American company that was bold enough to buck the system "and wanted to do business with us." They banded together, lobbied the government and eventually got Empire the approvals it needed to open two Mexican dealerships in 1967.

Whiteman says his dealings in Mexico, coupled with similar tangles on his home turf, have made him adamant on the subject of ethics. "There is no doubt in my mind that ethical behavior pays off at the bottom line," he says.

Although Empire's prices are not always the lowest, Whiteman says it consistently wins 60 percent of its bids. And when all things are equal, "customers frequently give us the benefit of the doubt," Whiteman reports.

How far would you go to preserve your reputation for honesty and integrity? Hilby Wilson, Inc., a San Diego investment firm that specializes in land syndication deals, will pass off no investment risk to others that it would not take itself. Paula Hilby, wife of the firm's co-owner Bruce Hilby and an adviser to the firm on selected projects, explained how that principle has been put to the test:

"We were interested in buying a $2.7 million hotel in El Paso, Tex. We commissioned a study that concluded that the city was about to profit from the growth of 'twin plants' [American companies operating both in the States and in Mexico, where they take advantage of low-cost labor]. We bought the hotel, invested in renovations and proceeded to market the deal to our clients.

Let's Talk Ethics

Consider Russ McDonald's dilemma: He runs a sales division in a small midwestern town where business and socializing often take place at local sporting events.

At a high school basketball game, an important customer tells McDonald that the star player's father has recently been laid off from a nearby company. The customer asks McDonald to consider hiring the father as a sales manager.

McDonald interviews the man but chooses a more qualified candidate.

Later, McDonald learns that the customer is threatening to cancel his contract with the firm if McDonald does not reconsider. McDonald does not want to compromise his judgment, but if he sticks by his beliefs, company sales could suffer, at least in the short run, and he may not get that promotion he was working toward.

This real-life situation is portrayed in a video, *A Matter of Judgment*, which depicts five such conflicts of interest. The tape is part of a video training program produced by the Ethics Resource Center, Inc. (1025 Connecticut Avenue N.W., Suite 1003, Washington, D.C., 20036; 202-223-3411).

If one of your executives or managers encountered a Russ McDonald quandary, would he or she be able to handle the challenge? The best way to prepare employees to tackle ethical dilemmas, say experts, is to get them to think and talk about tough situations.

Unfortunately, many companies address the issue by merely writing a code of ethics and posting it on a bulletin board, says Barbara Ley Toffler, a Harvard Business School assistant professor.

"Codes are well and good," she says,

When tenants of his Florida mobile home parks ask to bend the rules, manager Dwight Frindt decides according to a rule's intent.

"But the hotel's monthly operating losses turned out to be far greater than our projections. We discovered we were in the wrong market. The *east* side of El Paso, not downtown, was where all the twin-plant companies were setting up shop.

"By then, we had sold limited partnerships to several investors. The question was, should we bury our queasy feeling and proceed with the syndication or follow our instincts, return the checks and eat our losses?"

The firm told investors that the deal was on hold pending further investigation. For the next few months, Hilby searched for signs of a turnaround. But the unabated flow of red ink convinced her that the investment "just wasn't up to our standards," she says.

"The cold-blooded thing would have been to close down the hotel and walk away," says Hilby. Instead, the firm sold the hotel back to the bank for $2 million, the price of the mortgage. In return, the bank got the $1.5 million Hilby Wilson had sunk into renovations.

The checks were returned to investors with a letter of explanation "in which we owned up to our mistake," says Hilby. The five principals of the company split the remaining losses, which totaled more than $3 million.

PHOTO: BRUCE BORICH

"We got socked pretty good," concedes Hilby. "Close to 10 percent of our assets and a significant portion of our savings were wiped out."

Nevertheless, Hilby Wilson has reason for optimism. Much to the company's gratification, its handling of the affair prompted an outpouring of letters from clients commending the firm's honesty and expressing confidence in its abilities. "They say they are looking forward to working with us on future deals," reports Hilby.

Companies rely on rules and regulations to maintain certain standards. But no rule can anticipate all of the extenuating circumstances that might arise. Ethical dilemmas, says Barbara Toffler, an assistant professor at the Harvard Business School and author of *Tough Choices: Managers Talk Ethics* (John Wiley & Sons), are often set in motion when individuals ask for special consideration, to be exceptions to the rules. The challenge is to do what is best for them, she writes, "without setting a precedent that could erode respect for policies, rules and procedures in the organization."

Dwight Frindt knows a lot about balancing the interests of a few against those of the greater number. The Orlando, Fla.-based regional manager of 11 upscale mobile-home parks owned by Clayton, Williams & Sherwood, Inc., Frindt is barraged by requests from community residents seeking to break, bend or change rules.

Park rules, Frindt says, are designed to maintain a high quality of life that will attract homeowners and keep the parks full. But Frindt frequently allows exceptions. "As long as we can preserve a rule's original intent, we don't worry about losing credibility," he says.

For example, Frindt cites a rule in one park requiring residents to invest in such improvements as carports and screened porches to meet current home standards. It was waived for new tenants, provided they agreed to do something of equal value, such as paint the outsides of their homes.

But this approach does not always work. Sometimes, the ethical dimensions of an issue are so charged that "whatever we do, someone is going to feel it . . . especially in the pocketbook," says Frindt.

A case in point: What to do about fixed-income, elderly tenants who can barely afford annual rent increases.

At first, most residents felt the needs of the few justified no rent increases for all, says Susan Keller, Frindt's assistant and manager of regulatory affairs. After months of debate they agreed to a compromise.

It calls for giving lower-than-normal increases to long-term, elderly residents who can demonstrate significant financial hardship. "Basically, we are

but need backing with frank discussions that alert people to the ethical nature of their obligations toward suppliers, customers, stockholders, colleagues and the community. And employees must feel they can talk with impunity about any company policies or practices that they believe put them in compromising positions.

But getting people to talk about ethics is no easy task, says Paul Mok, an ethics consultant and president of Training Associates of Richardson, Tex. He compares it to sex education: Most parents agree that children should learn about sex, but when it comes to broaching the subject, they lose their nerve. "It is like tiptoeing on eggshells—they do not know how or where to start."

Mok says it's up to a CEO "to make ethics an acceptable topic of conversation." Commitment from the top sends employees a message that it is O.K.—indeed expected—to voice ethical concerns.

Empire Southwest, a mid-sized distributor of Caterpillar equipment in Phoenix, spells the message out in its ethical code: "It is not enough that you are honest, but vital that you speak out for honesty and honor. The courage to confront a violator, even though embarrassing, is necessary if we are to remain trusted. One act of dishonesty can hurt the entire group, and it is the responsibility of each to act in safeguarding all."

Mok offers these tips for CEOs: Lead discussions in ethics workshops or training sessions. Make a videotape explaining your company's written code and how to apply it. And, if an ethical problem arises, don't keep it a secret; discuss the incident with managers and employees and ask them what they would have done. In this way you acknowledge that "there are no easy solutions to ethical problems," adds Toffler.

Nevertheless, employees may still fear that their jobs will be jeopardized by reporting wrongdoings or admitting to ethical doubts. An ombudsman or an anonymous hotline can allay that fear.

Ray Lappegaard's Minnesota mining company avoided a law suit against the town of Grey Cloud Island in order to maintain good relations with its community.

asking people to pay different rates for the same facilities and services and for the newest tenants to pick up the tab for the oldest ones," Keller says. But it is an inequity all can live with because it's recognized that some people, such as the pensioners, came to the park under unique conditions, she adds.

For the J.L. Shiely Company, resolving a community dispute was not so easy.

For decades, the St. Paul mining concern co-existed harmoniously with the 380 residents of Grey Cloud Island, Minn., where it mines limestone and holds 680 acres of property. But in 1980 Shiely awoke to a new town board of supervisors who "viewed digging for profit as nothing short of immoral," says Shiely Vice President Ray Lappegaard.

For starters, the board slapped Shiely with regulations limiting its hours of operation and requiring it to file thick environmental studies each time it requested a mining permit.

Then it passed an ordinance claiming title to a 15-acre park Shiely had deeded to the town in 1955 with the provision that the firm could eventually reclaim it for mining. Shiely started collecting evidence for a lawsuit. But court "was our last-ditch alternative," Lappegaard explains.

PHOTO: STEVE WOIT—PICTURE GROUP

Shiely bombarded households with letters and phone calls in which it explained its position. Residents visited firm headquarters where they were briefed on studies "showing that the materials we mine are essential to life," recalls Lappegaard.

The perseverance paid off. In 1983 the board fell into more sympathetic hands. The cumbersome regulations were rescinded. Two years later, company officials reached an out-of-court settlement on the disputed 15 acres.

Today, "relations between Shiely and the community are better than ever," says a local attorney and board supervisor who asked not to be identified. He marvels at the company's grass-root responsiveness throughout the ordeal. Says Lappegaard: "We always felt that if the townspeople only knew us, they would see that we are not bad guys."

Who has the advantage, the firm that adheres to high ethical standards or the one that cuts corners and bends the rules? These companies are not naïve. Daily, they see competitors profit from unethical acts. Yet at what price? Bad ethics, they contend, eventually drives away customers and suppliers and demoralizes employees.

But ethics is no subsitute for quality products and services, notes Empire Southwest's Whiteman. Nor can it overcome the effects of poor management.

The ethical edge is subtle. It will not make you an overnight success, but in competitive situations it often provides a true upper hand. NB

To order reprints of this article, see page 55.

Developing A Code

The critical source for ethical values in any company, say experts, is the chief executive officer.

And the smaller the company, the easier it is for the CEO to set the ethical tenor.

But as your CEO duties expand with your small business, you may no longer be seen and heard so regularly. Consequently, you may want to consider writing and disseminating a code of business ethics.

But before you do, says Mark Pastin, director of the Center for Ethics at Arizona State University and author of *The Hard Problems of Management* (Jossey-Bass), you must be prepared to commit the necessary resources—time, money and manpower—to backing the ethics code with training and enforcement.

Otherwise, Pastin says, "there is little prospect that the code will be perceived as more than a defensive document."

Pastin says your code should include three components:

- The company's purpose.
- Its operating principles.
- Examples of those principles in action.

For example, Federated Department Stores, Inc., of Cincinnati, states that its purpose is to "provide customers with fair and efficient service which will be reflected in the way we handle all our transactions with them." It then defines the principles underlying employees' obligations to various constituencies.

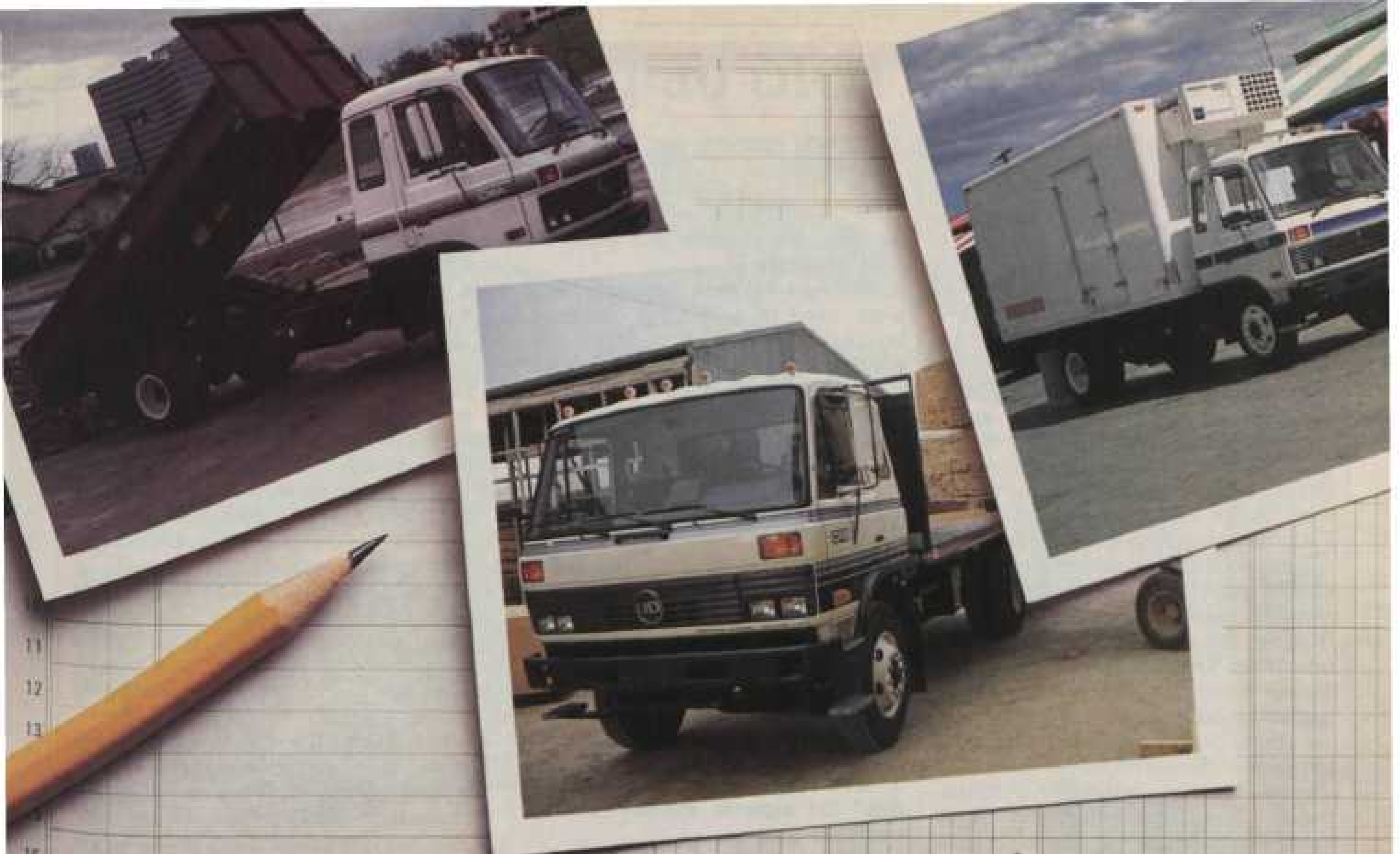
Federated's code forbids employees to accept from vendors gifts or favors which "extend beyond ordinary business practices regarded as common courtesies." Examples of forbidden gifts: the expense-free use of a car, boat, airplane or any property.

To implement your code, Pastin advises scheduling a few half-day training sessions. Outline a dilemma, and ask employees how they would respond if they knew they were being scrutinized by associates, friends and family members.

But you still need an enforcement mechanism to deal with those employees, who, despite your best efforts, run afoul of the code. Often, a department head or the director of personnel can deal with minor offenses. To handle serious violations, you may want to set up a subcommittee of the board of directors.

For sample codes write to the Ethics Resource Center, Inc., 1025 Connecticut Avenue, N.W., Washington, D.C. 20036; (202) 223-3411.

For guidelines on writing codes, contact the Center for Ethics, Arizona State University, Tempe, Ariz. 85287; (602) 965-2895.



UD® TRUCKS give you more for your lease.

Leasing a new UD TRUCK can be an even smarter choice than buying one.

UD TRUCK Leasing Corp. offers several flexible lease programs that can help you qualify for the truck you need and reduce your transportation costs.

Whether you're in refrigerated foods, light construction, building materials or dry freight, there's a UD TRUCK — and a lease — that's right for you. Plus, with UD TRUCKS, you're backed by more than 50 years of truck manufacturing experience — and a new-truck warranty second to none.

More and more owners are discovering the exceptional economy and value of UD TRUCKS. Find out what a difference leasing or buying a UD TRUCK can mean to you by contacting one of the more than 170 UD TRUCK Dealers.

Call toll free 1-800-225-5831 for more information on UD TRUCKS and the UD TRUCK dealer nearest you.

Keep it simple, make it strong.

UD TRUCKS

Nissan Diesel America, Inc.
(214) 550-8400, 1-800-225-5831

UD is the corporate symbol and registered trademark of NISSAN DIESEL MOTOR CO., LTD.

Circle No. 59 on Reader Service Card.

Evaluate Your Ethics

How will you act in situations that test your honesty and acceptance of rules, regulations and codes of behavior?

That depends on the values you use to frame your approach to life and to work, says Paul Mok, president of Training Associates, a consulting firm.

Mok, with a doctorate in psychology and 20 years' experience advising corporations, says that most of us operate from one or more of four basic value sets, which are especially apt to surface during stress. He contends the key to predicting how someone will react under ethical pressure is discovering what his or her dominant values are. Mok developed a test, called SPOT (Situational Perceptions-Observations Test), to help in that discovery. Here is a sample from that test.

To identify your dominant value set(s) assign the numbers 4, 3, 2, and 1 to each of the phrases that completes the eight self-descriptive statements below. Use 4 for the ending that best describes you; 3, next most like you; 2, next; and 1, least like you.

1. In relating to a boss, I may:

a. express a lack of concern if a lack of concern is expressed to me.(S)
b. convey impatience with ideas that involve departures from procedures.(R)
c. show little interest in thoughts and ideas that show little or no originality or understanding of the company.(I)
d. tend to get impatient with lengthy explanations and direct my attention to what needs to be done right now.(C)

2. When circumstances prevent me from doing what I want, I find it most useful to:

a. review any roadblocks and figure out how I can get around them.(C)
b. rethink all that has happened and develop a new idea, approach or view of my job.(I)
c. keep in mind the basics, pinpoint the key obstacles and modify my game plan accordingly.(R)
d. analyze the motivations of others and develop a new "feel" for those around me.(S)

3. If I must deal with an unpleasant customer, I would probably try to:

a. clarify the problem and explore the alternatives.(R)
b. highlight in plain language what I want, need or expect the customer to do.(C)
c. explain the "big picture" and how the situation relates to it.(I)
d. express empathy by putting myself in his/her shoes.(S)

4. In terms of things like personal phone calls on the job, a company should probably:

a. be understanding of the employees if they don't overdo it.(S)
b. make the rules clear and see that they are followed.(R)
c. do what is best for company profits.(C)
d. explore company policies that are consistent with personal needs.(I)

5. If a friend told me he was "padding" the expense account for $10, I would probably:

a. advise the person not to; that he is stealing and should not do it.(R)
b. figure this is common practice even if it isn't right.(I)
c. figure each person is trying to survive the best he can.(C)
d. try not be judgmental and see if I could help.(S)

6. If I have done something that goes against the company policy and procedures, I probably:

a. would have done so to help others in the company.(S)
b. would be upset and need to re-examine my actions.(R)
c. would have done so to get results in the most practical way.(C)
d. would consider how the policies and procedures could be modified in the future.(I)

7. When I start a new job, I feel it is preferable to:

a. learn what is expected—what the rules are—and follow them.(R)
b. see where the company is and what its orientation really is.(I)
c. make a name for myself based on competitive results.(C)
d. make friends and show I am a "regular" person.(S)

8. When workmates take shortcuts, my actions will probably depend on:

a. whether the workmates are good friends or not.(S)
b. whether they knew the rules; if they didn't, I would explain them.(R)
c. whether their actions would hurt me and my department.(C)
d. whether such shortcuts would significantly affect results.(I)

After each statement there is a letter—S, R, I, or C. Make four categories, one for each of these letters, place your numbers for each statement in the appropriate column and total the figures. The category in which you scored highest corresponds to your primary value set; the second highest score shows your back-up system.

- S: Socially oriented values are characterized by deep concern for the welfare of others. Someone meeting this profile might not see a conflict in stealing company resources to help indigent people.
- R: Rational values center on commitment to rules and regulations. A rationalist might be indecisive in a crisis not covered by specific rules or procedures.
- I: Individualistic values are expressed in autonomous thinking and the belief that people should evaluate rules rather than obeying them blindly. Under stress, an individualist may become rigid and dogmatic, ignoring others and putting his or her cause above the established codes.
- C: Competitive values are typical of someone motivated by the desire "to win the game." If this means bending the rules or cutting corners, so be it.

The point of the test is not "to sort out good from bad people," explains Mok.

Rather, it is a diagnostic tool for "measuring the types and strengths of a person's ethical values," he says.

The test could be used to screen prospective employees, but, Mok says, is most frequently used to gauge the need for company-wide ethical training or individual counseling. In addition, the test can serve as the basis for discussions among individuals who are having trouble getting along. "The test may reveal that their clashes often result from the different values they bring to the workplace," says Mok. Often, awareness creates changes in attitudes and behavior, he reports.

Mok says up to 70 percent of those taking the 18-item test respond honestly.

SPOT is sold in batches of 50 (two interpretation books included) by Training Associates, 1177 Rockingham, Richardson, Tex. 75080. The firm also evaluates results for $20 per test.

The 10 Most-Asked Tax Reform Questions

By Mark Moktarian

As president of a small California real estate firm, Michael L. Epsteen frequently meets with clients and other business associates over restaurant meals.

He was therefore particularly interested in how the Tax Reform Act of 1986 affected deductions for business entertainment.

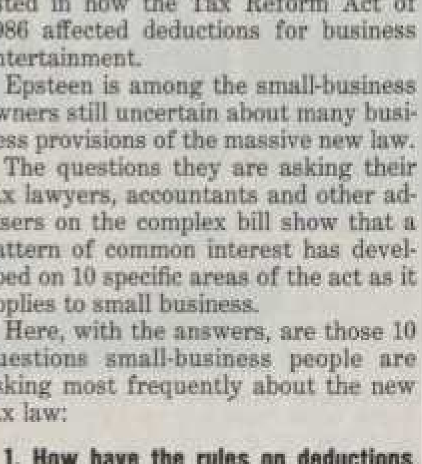
Epsteen is among the small-business owners still uncertain about many business provisions of the massive new law.

The questions they are asking their tax lawyers, accountants and other advisers on the complex bill show that a pattern of common interest has developed on 10 specific areas of the act as it applies to small business.

Here, with the answers, are those 10 questions small-business people are asking most frequently about the new tax law:

1. How have the rules on deductions for meals and entertainment expenses been changed?

Beginning this year, only 80 percent of your business expense for meals and entertainment is deductible. And you must be better able to substantiate the business purpose of a meal.



ILLUSTRATIONS: CAMERON GERLACH

If an employee is fully reimbursed for business-related meals and entertainment, then the employer is the one subjected to the 80-percent limitation.

If an employee is not fully reimbursed by the employer, then the unreimbursed meal and entertainment expenses would be an itemized deduction on the employee's tax return. The unreimbursed employee expenses would be combined with other miscellaneous itemized deductions on the employee's tax return. The total of the miscellaneous itemized deductions then will be deductible only if it exceeds 2 percent of adjusted gross income.

Consequently, employees who are not reimbursed for their expenses may find they will not have the tax benefit from meals and entertainment that they had in prior years. Thus, employees (including owner/employees) will benefit more if they are fully reimbursed for meals and entertainment.

2. Now that individual income tax rates for most individuals are lower than corporate rates, can I save on my combined business and individual taxes by forming a subchapter S corporation?

The new law makes the S corporation more attractive as a vehicle for a closely held company, because the law taxes individuals at a lower rate than regular corporations for the first time.

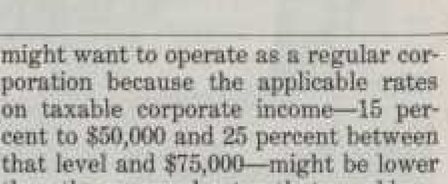
The maximum corporate rate is 34 percent, with special provisions that establish an effective marginal rate of 39 percent on taxable income between $100,000 and $335,000. Beginning next January 1, the marginal individual rate will be 28 percent on joint returns with taxable income between $28,750 and $71,899; 33 percent on incomes between $71,900 and $149,250 and 28 percent on higher incomes. Under the old tax code, the top individual marginal rate was 50 percent and the top corporate rate was 46 percent.

Just as before tax reform, the S corporation is not taxed at the corporate level. Its income, losses and deductions are passed through to shareholders and reported on their individual returns.

The new law continues double taxation for the owner of a corporation without S status: First at the corporate level on earnings and again at the shareholder level when dividends are distributed. The subchapter S corporation also avoids the strict corporate alternative minimum tax.

On the other hand, a small business with taxable income below $75,000 might want to operate as a regular corporation because the applicable rates on taxable corporate income—15 percent to $50,000 and 25 percent between that level and $75,000—might be lower than the personal rates that would apply under an S corporation pass-through.

3. Can I still save on taxes by shifting income to my children?



Yes, but the strategy has become less important because of reductions in marginal tax rates for parents. The income-shifting rules have changed, too. Under the old law, a child's income, earned or unearned, was taxed at the marginal rate for the child's income. Parents in the top marginal bracket of 50 percent achieved significant savings by shifting income to a child in the lowest brackets, which began at 11 percent. Effective next year, that spread will be 33 and 15.

Keep in mind also that the rules for shifting income to children under 14 have been tightened, but those for older children have not.

Under tax reform, children under 14 will be taxed at the parents' top marginal rate on any unearned income, such as dividends and interests, over $1,000. The first $500 of such income is exempt, and every child receives a standard deduction of $500. Thus, it may be advantageous to shift only $1,000 in income to young children.

Older children's income remains taxable at their own, typically lower, marginal tax rates. Thus, transferring as-

Mark Moktarian is a CPA with Roth Bookstein & Zaslow, an accounting/consulting firm in Los Angeles.

sets to children 14 and older may still result in substantial family tax savings. However, parents need to scrutinize their planning to avoid gift taxes (see next question).

4. What is the limit on tax-free gifts to my children?

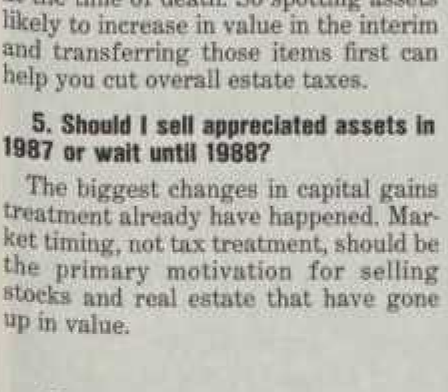
You can give $10,000 per year to each child before you are subject to gift taxes. For example, a husband and wife who have three children can each give $30,000, for combined gifts of $60,000 per calendar year.

Even gifts in excess of $10,000 per year per child will not necessarily subject the donor to gift taxes. Such gifts are taxable, but you may use your unified estate and gift tax credit of $600,000 to offset the gift tax otherwise due. An individual donor can give up to $600,000 without paying tax, either during the donor's life or through the estate.

The value of lifetime gifts must be added to that of the estate in figuring estate taxes. But a gift's value is determined on the date it is given, instead of at the time of death. So spotting assets likely to increase in value in the interim and transferring those items first can help you cut overall estate taxes.

5. Should I sell appreciated assets in 1987 or wait until 1988?

The biggest changes in capital gains treatment already have happened. Market timing, not tax treatment, should be the primary motivation for selling stocks and real estate that have gone up in value.



Many investors hurriedly sold their stocks at the end of last year, when the top capital gains tax rate was 20 percent. The frenzy resulted in tax savings compared with this year, when the maximum rate for holdings of six months or longer became 28 percent.

But for those who did not buy back into the market, the money saved on taxes may have been outweighed by what could have been made in the bull market of the first quarter.

This year's 28 percent capital gains rate compares with a top marginal income tax rate of 38.5 percent. In 1988 and beyond, the capital gains will be taxed at the same 15, 28 and 33 percent marginal rates as other income.

6. What should I know about changes in the interest deduction before I go to the bank for a personal loan?

The most important consideration is that deductions for interest on money borrowed to buy goods or services for personal use are being phased out. Only 65 percent of such interest is deductible for the current tax year. The maximum falls to 40 percent next year; 20 percent in 1989, 10 percent in 1990 and zero thereafter.

Homeowners, however, still have a means of borrowing for such things as automobile and other consumer purchases and deducting the interest. The law still allows, within limits, deduction of interest on loans secured by a "qualified residence," which can be a principal residence and one secondary residence, such as a vacation property.

If you refinance your first mortgage, take out a second mortgage or obtain a line of credit secured by your equity in an eligible property, you can claim interest deductions. The interest is deductible on loans obtained for any purpose up to an amount equal to the original purchase price of the property plus the cost of improvements. Beyond that level, interest is deductible only on borrowing for educational or medical expenses.

Assume that you purchased a house five years ago for $100,000 and have spent $10,000 on improvements. That would give you a $110,000 deductible limit on borrowing for any purpose. Perhaps the fair market value of the home is now $140,000. You could deduct interest on an additional $30,000 if that money is used for educational or medical expenses.

7. What changes affect retirement plans?

The $2,000 Individual Retirement Account (IRA) contribution that employees have been able to exclude from taxable income is wiped out for taxpayers who are both covered by an employer-maintained retirement plan at work and have an adjusted gross income greater than $35,000 on a single return or $50,000 on a joint return.

A taxpayer who is not covered by a retirement plan or a taxpayer who is covered but has less than $25,000 adjusted gross income ($40,000 for a married couple filing a joint return) may continue to take the full $2,000 deduction allowed previously. A person who is eligible for a company pension plan but elects not to join is generally considered covered for purposes of the tax law; on joint returns, both parties are considered covered if one of them is.

For those in company retirement plans, the IRA deduction is phased out between $25,000 and $35,000 for single taxpayers and between $40,000 and $50,000 on joint returns.

Taxpayers who are not covered by company pension plans may continue to claim the full $2,000 deduction regardless of income level.

Defined-benefit plans continue to be deductible to as high as 100 percent of net self-employment income. The annual benefit for a participant cannot exceed the lesser of $90,000 or 100 percent

Don't Let Slow Payers Strangle Your Business!

Collect your money faster, without alienating your customers.

THIS SEMINAR IS PRESENTED FREQUENTLY IN MORE THAN 150 CITIES—
To determine the one most convenient for you, **call Marion Kuenzle at 212-312-6878** or mail the coupon below.

This special one-day seminar sponsored by Dun & Bradstreet and Nation's Business will show you how to:

- Set up an effective system for getting payment on time and in full.
- Write nonthreatening letters that produce results.
- Use the telephone to speed payments.
- Rebut excuses instantly.
- Put the tested language of the debt-collection industry to work for your business.

And keep in mind: This seminar is guaranteed, affordable, tax deductible and convenient.

You will receive a full refund if you are not satisfied that we have delivered on our promises.

The total fee is only $160 **($125 to members of the U.S. Chamber of Commerce)** and that includes valuable workbooks. Remember, the cost is tax deductible as an expense to maintain or improve professional skills.

Seminar Fees:
$160 (Non-Members)
$125 (Chamber of Commerce Members)
Includes complete workbooks.

Brought to you by

Nation's Business

Produced by

Dun & Bradstreet Business Education Services DB

Mail to: Dun & Bradstreet Business Education Services
P.O. Box 803, Church Street Station, New York, NY 10008

Yes! I want to collect my money faster!

________ **Please telephone me with dates and locations.**
________ **Please send me complete information about ALL of your seminars.**

Name________________ Title________________

Company________________ Telephone________________

Street Address________________

City__________ State________ Zip________

Circle No. 10 on Reader Service Card.

of the participant's average compensation for the three highest-income years.

8. What are the significant changes for 401(k) plans?

Until Dec. 31, 1986, an employee could defer as much as $30,000 of pay annually through a deferred compensation plan such as the 401(k). Effective this year, however, an employee's pretax salary deferral can't be more than $7,000 a year.

You also run into the new tax law when you borrow against your 401(k).

Such loans are still permissible, but the interest paid on a loan made or renewed after Dec. 31, 1986, is not deductible.

9. Should I revise my will?

No major provisions in the act require revising your will. However, make sure you are taking advantage of the unified estate and gift tax credit: Every taxpayer is allowed to pass along a tax-free $600,000 to heirs. That is $1.2 million per couple. Couples may wish to shift assets that are held separately so the full $1.2 million credit can be applied.

Remember, however, that life insurance proceeds may be included as assets and could be enough to push your estate over the deductible limit.

10. Should I invest in limited partnership tax shelters?

Yes—but only if they are expected to have profits. The answer is no if they are expected to have losses.

The old-style shelters, such as real estate limited partnerships that provided write-offs several times as large as an investor's cash outlay, have been trimmed by the new law.

The 1986 act introduced a new concept into income tax law—an investor in "passive activities" (virtually all real estate limited partnerships) will not be allowed to deduct losses from combined active and passive investments until they produce income or the investor disposes of each individual loss activity.

However, for those who invested in passive shelters before the act was signed into law (Oct. 23, 1986), losses will remain partially deductible against ordinary income during a four-year phase-in period.

To comply with the law's limitations, a taxpayer must classify all such investments into two active and passive categories, and the net losses in the latter may not be used to offset income from the former.

An exception is provided for certain rental real estate activities where an owner actively participates. This exception provides that a taxpayer with adjusted gross income of less than $100,000 can deduct up to $25,000 of losses from the passive investment against active business income. Between $100,000 and $150,000 of income, the deductible is phased out at the rate of $1 for each $2 of income over $100,000. NB

To order reprints of this article, see page 55.

MANAGING YOUR BUSINESS

Mandated Leave: Small Firms' Nightmare

By Harry Bacas

Congressional proposals to require lengthy employee leaves for child care or disability are provoking an outcry among small-business owners.

"Whatever we do will be wrong," says Laura S. Cline, president of a property-management firm in Holliston, Mass. "First we'll have to replace the person who takes leave, and then we'll have to fire the replacement and pay benefits to both."

The congressional move to mandate such benefits as health insurance and parental leave, say Cline and other small-business owners, makes it harder for them to offer other benefits their employees may prefer.

Bills in the House and Senate, due to be acted on this fall, would require every business with 15 or more employees to provide 18 weeks of unpaid, job-protected leave for birth, adoption or serious illness of a child and another 26 weeks for an employee's serious illness.

The House bill would also mandate leave for care of a dependent parent, and both bills would set up commissions to study mandated paid leave in the future.

While almost all large companies already provide leave like that required by the two bills, small companies, with fewer resources, often do not.

Cline's company, Eagle Management, Inc., gives its 25 employees health insurance, paid vacations, holidays and sick leave. Cline says granting leave creates problems because her employees work in small groups at four widely separated locations in New England, and the prolonged absence of one employee creates a noticeable gap.

One woman in the home office has had two children while employed there, and while she was gone "I did her work," says Cline. "It was six weeks each time, and it was clearly understood that she *would* come back."

But under the proposed law, she says, "you could hold the job for 18 weeks and never know whether the employee was coming back. Then if the employee returned, we would be faced with either having to fire the temporary replacement, which means that we would be charged unemployment compensation, or keep that extra person on our payroll."

Clifton H. Claybourn, general manager of Sunshine Laundry and Cleaners in San Marcos, Tex., offers employees such as Rita Castillo (left) paid vacations, health and life insurance and six weeks' unpaid leave a year if needed for maternity or health reasons. But if Congress mandates long leaves, he says, he will have to raise prices or cut jobs.

PHOTO: ZIGY KALUZNY

"It will be totally disruptive," says Frank L. Mason, president of Mason Corporation in Birmingham, Ala., which makes aluminum building products. The company has 180 employees.

"If this bill passes," Mason says, "it would be a temptation for people to take advantage of it. If one person takes advantage of it, then another will want to do the same. And that will lead to a real deterioration of motivation and sense of accomplishment in the work force. This bill is fraught with danger."

David L. Guernsey, president of an office-products firm in Arlington, Va., with 75 employees, says, "If this bill passes, I liken the effect to a roulette wheel. If our number doesn't come up, we'll be all right; but if our number does come up, it could be impossible."

He explains: "If a salesman takes extended leave, we can cover. But if our data-processing manager—the technical person in charge of our considerable investment in data-processing equipment—goes out, what do we do? Could we hire somebody like that as a temporary? I'm not sure such a temporary exists. If there is one, would he be willing to come to work for us for six months knowing the other person was guaranteed his job back?

"From a small-business perspective, it's totally unrealistic. I don't know what planet this bill is designed for, but it's not for the planet I live on."

Winston Weaver, Jr., president of Rockingham Construction Company, Harrisonburg, Va., says finding temporary employees in his business would be very expensive. His firm, started by his grandfather 50 years ago, erects utility poles and maintains lines for power and telephone companies in Maryland, Virginia and the District of Columbia. He has 275 employees, mostly male linemen.

Qualified linemen, all highly paid, are in such short supply in the mid-Atlantic states that Weaver has to advertise for workers as far away as Colorado and Texas. He spent $10,000 on such recruiting in 1985 and $27,000 in 1986 and has laid out $12,000 in just the last three months, even without a mandated leave law to make things tougher.

"I don't know what planet this bill is designed for, but it's not for the planet I live on."

"Why would somebody take a job with us on a temporary basis when he could get a permanent job elsewhere?" he asks.

Labor unions and other proponents of mandating job-protected leave for disability or the care of a child or parent say it is a simple way of guaranteeing equal treatment while according special priority to family responsibilities.

But this view is "simplistic," says Frances Shaine, chairman of SPM Manufacturing in Holyoke, Mass. Shaine, who has three children, says that "if parental 'bonding' or nurturing after the birth or adoption of a child is the desired goal, it will not result from government coercion. "Federal legislation simply cannot make us 'bond' with our children."

Shaine, who is chairman of the U.S. Chamber of Commerce's Council of Small Business, presented the business federation's views to a Senate Labor subcommittee considering a parental leave bill.

The U.S. Chamber was the first business organization to spotlight the small-business impact of parental-leave legislation a year ago, when the measure was gaining wide support as a family-oriented issue. By rallying small-business opposition, the Chamber halted the rush toward what had been seen as certain passage.

In testifying for the Chamber against the current bill, Shaine said a small company has just so much money in its benefits budget, so mandating a particular benefit cuts into the money available for other benefits.

For example, an individual employee may be more interested in child-care services, educational assistance, relocation assistance, physical-fitness programs, additional vacation days, health insurance, life insurance or retirement benefits, she said.

But mandates "stifle the trend toward flexible benefits."

American business, she pointed out, already pays nearly 40 percent of its payroll costs for benefits, most of them not mandated. And she said business is responding to the changing demography of the work force by developing "innovative solutions to the demands of working parents." She said that is a better way than imposing "rigid, inflexible, costly and probably counterproductive federal mandates."

Winston Weaver's small, specialized firm struggles now to recruit qualified permanent workers, and he doesn't know where he would find workers to fill temporary positions vacated by leave-takers. "Why would somebody take a temporary job with us when he could get a permanent job elsewhere?" he asks.

PHOTO: T. MICHAEL KEZA

The proposed legislation would hit small businesses the hardest because they have the least ability to pay, Shaine said. Yet small business is the great generator of jobs.

She pointed out that in 1983 and 1984, small business created nearly three times as many jobs as large companies, and women form the fastest growing component of those new jobs.

"It would be ironic," she said, if mandated parental-leave legislation "winds up destroying the very jobs that have helped to assimilate second-income wage earners into the labor force."

Clifton H. Claybourn, general manager of Sunshine Laundry & Cleaners in San Marcos, Tex., wrote to Rep. J.J. Pickle (D-Tex.) that the mandated-leave proposal "is bad legislation."

He said: "We are struggling with our own eight-week leave of absence. It has been used by employees to temporarily work on other jobs for higher pay or to try out for other employment to see if they like the jobs before they resign. It is most discouraging to hold a job for an employee eight weeks and then not have them return."

Claybourn has 46 employees, mostly Mexican-American women. Some have been with him as long as 25 years. He gives workers paid vacations and health and life insurance and allows six weeks' unpaid leave in a calendar year for maternity or health reasons.

He says that if Congress mandates long leaves, he will either hire more help—"and inevitably that will be reflected in our prices"—or he will drop part of his business and let some people go.

"Congress has taken more and more of running a business away from the employer and given us more and more regulations," Claybourn says. "Can't it see that the best benefit for people in this country is a job and that this over-regulation is costing jobs?" NB

To order reprints of this article, see page 55.

MANAGING YOUR BUSINESS

"Form" Is A Four-Letter Word

By Philip D. Nicoll

Have you ever wanted to take a government form and throw it away?

You might be able to, under the provisions of the Paperwork Reduction Act.

Passed by Congress in December, 1980, and amended in October, 1986, to increase public participation, the law requires the Office of Management and Budget to review all new requests for information. (The law applies to any patterned collection of information, not just forms. An information request could consist of a phone call or a letter asking for a written response.) Public comment during the review can often help stop a new form in its tracks.

Business shoulders about 60 percent of the entire federal paperwork burden, which OMB estimates to be 2.1 billion hours a year. And time really is money, whether business owners do their own paperwork, pay someone else to do it or buy expensive equipment to aid in the compliance effort. Add to that the millions of tax dollars it takes to devise reporting and recordkeeping requirements and then to collect, process, store and disseminate the information, and you have some idea of the enormousness of the situation.

Government agencies insist they are attacking the problem, but the burden continues to grow. Who can forget, for example, the wonderful new W-4 tax witholding form? The Internal Revenue Service estimated it would take a little over 30 minutes for the average taxpaper to fill it out. If each taxpayer earned minimum wage during that half hour, it would cost more than $300 million for everyone to comply. (And then there's the revised W-4A. . . .)

The Immigration and Naturalization Service will require employers to file Form I-9 certifying the citizenship status of every new hire. Use of that form was to begin June 1, but such confusion over the new regulation arose that INS has delayed the start until employers can be better briefed on proper compliance. Soon to arrive from other agencies are major filing requirements for expanded labeling of hazardous substances, reporting on oil and energy use, compliance with civil rights requirements and pricing information from defense contractors.

Philip D. Nicoll served for six years as the regulatory paperwork policy advisor at the U.S. Small Business Administration and now owns Paperwork Reduction Associates, a Washington consulting firm.

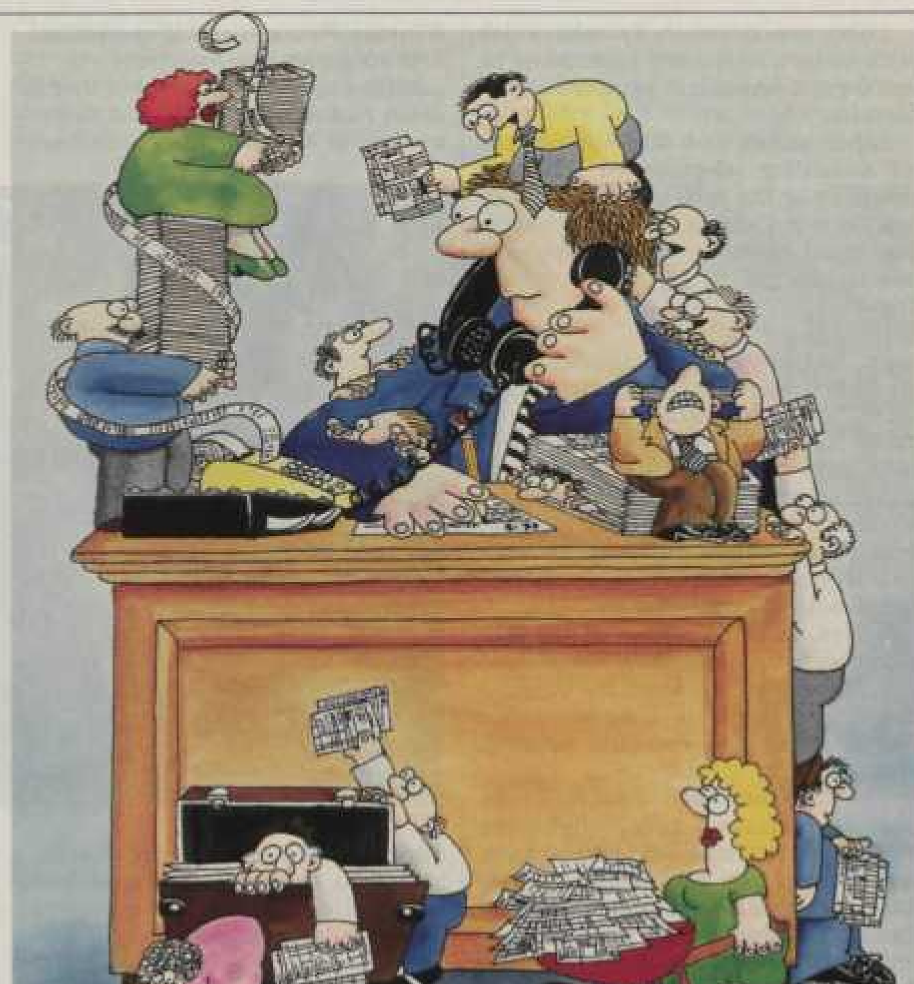


ILLUSTRATION: SKIP MORROW

Business has generally failed to get its government paperwork reduced because it has not exercised its rights under the PRA. But the system can work.

Last summer, a federal agency—the Defense Investigative Service (DIS)—distributed industrial security manuals to the nation's defense contractors. The manuals prescribed security measures, including reporting and recordkeeping requirements that must be met to win contracts. Included in the manual was a new form (180), which was aimed at reducing the number of security clearances issued to contractors. It required the contractors to provide specific information about employees to justify their needs for clearances.

The agency circulated Form 180 without submitting it first to the OMB for review and therefore acted outside the rules of the Paperwork Reduction Act.

Months after DIS distributed the manuals, it did submit Form 180 to OMB review, but the budget office rejected it. OMB ruled that it would cost contractors too much to provide the in-

Every year business spends billions complying with federal paperwork requirements. But sometimes you can just say no.

formation requested on the form—thousands of dollars a year for even the smallest contractor.

DIS officials said they would prepare a revised proposal. But months passed, and uninformed contractors continued to comply with the illegal requirement.

Finally, late last year, an alert defense contractor balked. He stirred up resistance to Form 180 among his fellow bidders and documented the defense agency's failure to comply with PRA. Contractors said the forms would instead create security risks because clerks handling the documents would gain access to previously guarded information.

DIS ultimately backed off, informed OMB that it would not submit a revised proposal and promised to revoke the Form 180 requirement.

Few citizens are as familiar with the Paperwork Reduction Act as that contractor was, even though the IRS includes a notice of the act's existence in its mailings. Here is the procedure:

OMB maintains an inventory of all federal paperwork requirements. It assigns each federal agency an annual paperwork allowance. No form (or other request for written information) can exist for more than three years without another OMB review, and any revision or new form must undergo OMB scrutiny.

In seeking OMB's approval for a request for written information from 10 or more people (or businesses) a year, an agency must document its justification for the request. The agency must announce its plan in the *Federal Register* and make details available to the public for comment while OMB is reviewing the request.

The *Federal Register* notice includes the size of the proposed paperwork burden, how often it would be imposed, why it is needed and where to send comments and obtain additional information.

If approved, the form is assigned an OMB Control Number. If OMB does not approve, the agency can revise or withdraw its proposal. An agency cannot legally impose an unapproved information request. Nor can an agency designate another organization (such as a private contractor) to collect the information without getting the same OMB approval.

No one is required to comply with a federal information request that does not display an OMB Control Number.

OMB's difficult job is to see that the agencies get the information they need while protecting the public from unreasonable or unnecessary paperwork. Yet, billions of hours' worth of paperwork are passing through the OMB process each year without any real challenge. But challenges now may have a better hearing, because Congress has directed OMB to reduce federal paperwork by 5 percent a year for fiscal years 1987 through 1989.

Business shoulders about 60 percent of the federal paperwork burden, which is estimated to be 2.1 billion hours a year. This year, the average American business will spend $32,000 complying with federal paperwork requirements—for a grand total of $128 billion.

OMB is particularly anxious to meet that demand. At risk is its Office of Information and Regulatory Affairs (OIRA), the division that actually handles paperwork reduction. In effect, Congress has put OIRA on trial to perform better or go out of business.

OIRA Administrator Wendy Gramm and Deputy Administrator James MacRae say they want to help reduce the burden on business, acknowledging that business accounts for two thirds of OMB's paperwork inventory. Gramm and MacRae supervised OMB's efforts to develop the alternative W-4A form in response to public hostility to the W-4.

Here's how you can help them reduce even more of business' burden:

- *Know your rights.* Forms must display a control number and, ordinarily, an expiration date. (All requirements have an expiration date, whether displayed or not.) If you even think a federal official is asking you and nine others for the same information, ask him to provide you with an OMB Control Number.

Before an agency can impose any new form or require any other written information, the public must be given an opportunity to comment. This applies not only to proposed new paperwork but also to renewals and changes in existing paperwork.

- *Build your case.* Work with your lawyer and accountant to review and document your compliance costs. Then write to the agency that imposes the paperwork burden. Ask for its justification beyond the explanation offered on the form itself or cover letter. An agency has to give you this information. The more its officials tell you, the easier it will be for you to document your case.
- *Pick a fight that's worth your effort.* Be on the lookout for requirements that overlap information already collected by some other federal agency or for requirements that create a burden because they differ from normal business practice or demand professional assistance, accounting changes, computer hardware or software changes for you to comply.
- *Find allies and work together.* Are other business owners as upset with a requirement as you? Get them to join you.

Just as important, urge business associations to join the effort. They can help by monitoring the *Federal Register*, contacting agencies and congressional leaders, publicizing issues and providing coordinated guidance to the affected companies. Write to congressional offices; they will usually ask the appropriate agency for an explanation.

- *Demand results.* Let politicians and agency officials know that you are going to keep pressuring them. When they find out your interest isn't fading, they'll work harder. But if you let up, they probably will, too. ■

MANAGING YOUR BUSINESS

AIDS In The Workplace

By Ira D. Singer

Like a bad dream without a morning to end it, Acquired Immune Deficiency Syndrome (AIDS) is moving relentlessly into America's smaller towns—and its smaller companies.

Most executives are ill-prepared for the news that an employee has been diagnosed as having the condition. Managers find themselves pressed to make policy decisions that would have served both the person with AIDS and the company better if made calmly, in advance.

If a company has not planned ahead, a manager's initial reaction to a perceived AIDS threat can seriously harm the firm's own health.

Michael Wolfe, a pizza maker for a fast-food chain in Norfolk, Va., complained that he felt ill last December.

A rumor spread that he might be afflicted with the AIDS virus, which can have the symptoms of a bad cold or flu at first, but which eventually weakens the body's immune system, allowing other opportunistic infections to strike and eventually kill.

Without notice, Wolfe was fired by a vice president, who also announced his action to the chain's supervisory staff.

As it turned out, Wolfe did not have AIDS. But the company now has a discrimination lawsuit filed against it.

"Many small companies are in a total vacuum on how to handle AIDS," says Dr. Alan Emery, a clinical psychologist and consultant on workplace issues with the San Francisco AIDS Foundation.

"They are unaware of the potential legal and benefits issues and are simply uninformed about the medical picture—much like most Americans."

The first thing employers need to know is how the condition can—and cannot—be contracted.

AIDS is not transmitted through casual social contact. "You have to really go out of your way to contract the virus," says Dr. James Mason, director of the Centers for Disease Control, the government's main agency for monitoring AIDS.

The AIDS virus is spread in three ways: sexual contact, exposure to infected blood or blood products and from an infected mother to her unborn child. Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, says this means that "AIDS is a disease of behavior. It's strictly a matter of what you do away from work."

Ira D. Singer is a free-lance writer based in McLean, Va.

When the Washington-based Council on Foundations found that an employee had AIDS, one of its earliest actions was to assemble managers to map out a plan of action. Managers (counterclockwise from left) Jean Urkums, Thomas M. Smith and Barbara Bode meet with CEO James A. Joseph.

PHOTO: KEN TOUCHTON

Despite such reassurances, the working world is getting the jitters.

Paul Kaplan, president of Northern Hills Office Services, a janitorial maintenance service company in Woodbury, N.Y., says many of his workers have refused to dispose of waste from medical facilities, even when they have strict infection-control procedures.

"They just won't do it," he says. "They're scared to death. The problem is rampant throughout my industry."

"Employers cannot treat this like any other health or business problem," says Dr. Alan Zox, executive director of the Albany, N.Y.-based Institute for Disease Prevention in the Workplace, which offers training programs on AIDS. "People fear what they do not know."

So far, almost half of all U.S. cases of AIDS have shown up in three cities: New York, San Francisco and Los Angeles.

In New York—the nation's creative and financial capital—AIDS is now the leading cause of death among women aged 25-29 and among men 30-39.

But this urban concentration won't last.

"It is only a matter of time before business people have AIDS in their workplaces," says Dr. Mason. "It's coming."

The Third International Conference on AIDS—held in Washington last June—confirmed Dr. Mason's terse prognosis and these CDC statistics:

- Between 1.5 million and 2 million Americans already carry the virus. Many are unaware they are infected, but between 20 percent and 40 percent of those testing positive for the virus will develop AIDS within five years.
- In 1991, an estimated 145,000 Americans will be sick with AIDS and 54,000 will die—almost as many as were killed in the Vietnam War.

AIDS is potentially the most costly and disruptive health problem employers will ever face. How do you prepare for it?

First diagnosed only six years ago, AIDS got its U.S. foothold among urban homosexuals and intravenous drug users.

By the end of June, a total of 37,867 people in this country had been diagnosed with AIDS, says CDC.

Another 185,000 to 370,000, the agency says, have AIDS-Related Complex (ARC), an early manifestation of infection that also can be debilitating and often turns into AIDS.

Cases of heterosexual transmission, which now account for only 4 percent of the total, will climb to 7 percent of the total by 1991, says CDC. Most of these cases occur when a heterosexual's past partner was an intravenous drug user.

Because AIDS has struck the big cities most heavily, businesses there have been the first to develop AIDS policies.

But business people all over the country now need to establish what they will do to avoid discrimination suits, to control the human and financial costs and to educate themselves and their employees.

Just as the immunity-smashing AIDS virus is spreading, so are the cases of employment discrimination involving people with AIDS or ARC, those perceived as having AIDS and members of high-risk groups, such as homosexual men.

What can be learned from legal situations such as the Norfolk pizza chain's?

"Employers simply need to learn that knee-jerk reactions without any basis

Alexandria, Va., association executive Ellen Segalla (left) and James Davis of Arizona's Keystone Resort (right) are advised by Alan Emery on setting up AIDS policies.

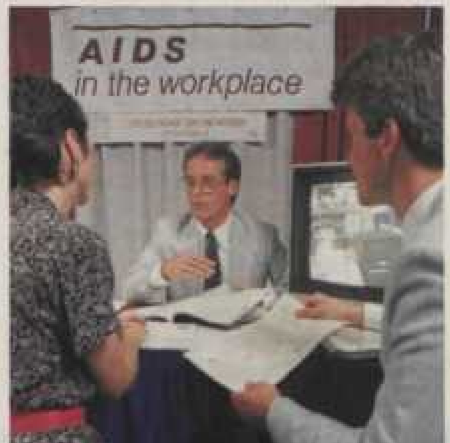


PHOTO: ED LALLO

of information will get you in trouble," says Leon Warshaw, whose New York Business Group on Health has sponsored conferences on AIDS and the employer.

"Business owners need to learn quickly that discrimination is immoral, medically unjustified and illegal under federal and state laws to protect the handicapped," says Victor Schachter, a San Francisco lawyer who advises companies on AIDS cases.

The Supreme Court ruled recently that a person with an infectious disease and a record of impairment from that illness is considered "handicapped" under the Federal Vocational Rehabilitation Act of 1973 and is protected from discrimination in all programs receiving federal financial assistance.

Further, many states have made it illegal to discriminate against people with AIDS. A number of cities have adopted ordinances protecting those showing AIDS symptoms or those testing positive for the virus from discrimination on the job. Says Schachter: "Business people need to be aware that their reaction to an employee with AIDS can teeter on the fringes of the law."

In 1986, the New York Human Rights Commission handled 314 AIDS-related job-discrimination complaints. There were three in 1983. Gay Men's Health Crisis in New York City has been swamped with more than 3,000 requests for legal assistance.

Many AIDS discrimination complaints are directed at small businesses. "They don't have the time or inclination to do the research and create simple personnel policies that will allow everyone to be treated fairly, no matter what the circumstances," says Mauro Montoya, legal services director for one of the nation's leading AIDS clinics, the Whitman Walker Clinic in Washington.

As AIDS spreads, your company will

Checklist For An AIDS Policy

Any reasonable approach to AIDS in the workplace must include developing a strategy before the first case hits.

Dr. Alan Emery, an AIDS education consultant, provides these guidelines:

- Form a team of key personnel who will be responsible for developing the strategy and guiding the program. Any program should be strongly endorsed by top management.
- Check your benefits package. Make sure your health insurance provides broad-spectrum coverage for all catastrophic illnesses.
- Understand your legal responsibilities and those of your employees.
- Develop a written AIDS policy as part of a company policy for all catastrophic illness. Treat AIDS as you would any other life-threatening illness.

Such a policy should present factual information on AIDS and its transmission. It should state that those with AIDS-related conditions will be viewed as having a handicap, that discrimination will not be tolerated and that all provisions will be made to reasonably accommodate the stricken employee. Emphasize that medical information will remain private and confidential and that medical care, sick leave and other benefits will be applied uniformly.

- Put together an educational program to address the factual and emotional issues for both managers and employees. Ask for help on this from your local health department, the American Red Cross or AIDS service providers.

be faced with growing direct costs in health and pension plans and life insurance. You also will have to contend with declines in productivity, increases in absenteeism and higher labor turnover.

The grim fact is that, once diagnosed as having AIDS, few patients live longer than three years. Those years are typically spent going in and out of hospitals, as patients find themselves unable to shake off diseases such as pneumonia.

Johnson & Higgins, a benefits consulting firm in New York City, came up with its own estimates of the employer costs when two different hypothetical employees were disabled and then died because of AIDS.

For a person making $25,000, the employer's costs for medical, disability, life insurance and retirement benefits could range from $98,000 to $198,000, the firm says.

For an employee with a salary of $75,000, these benefit costs could range from $215,000 to $315,000.

Just treating an AIDS patient can cost from $35,000 to $140,000.

"Costs differ according to a few factors," says David Garratt, a vice president at Johnson and Higgins. "If you can keep hospitalization down, make special arrangements to use less expensive resources like hospices and home care and rely on community services like volunteer support, as they have done in San Francisco, you'll definitely be on the lower end," he says.

Perfecting ways of treating AIDS can result in higher costs that might be passed on to employers. Drugs such as AZT help to treat the opportunistic infections that attack AIDS patients. AZT itself costs $10,000 per year. Although the drug mercifully extends an AIDS patient's life, AZT also extends the need for expensive medical attention.

For the present, insurance companies are treating AIDS as they would any other major disease and are honoring existing contracts. "It's important to place AIDS in perspective," says Steve Sieverts, vice president of Blue Cross and Blue Shield of the National Capital Area. "In comparison to other serious illnesses, the expenditure on AIDS is still a small fraction of what it is for cancer, heart disease or trauma. This can change in the next several years, and this is what frightens people."

The self-insured smaller company faces the largest financial risk from AIDS, particularly if the company's plan has no stop-loss provision calling for an insurance company to cover catastrophic illness, or if the stop-loss is set unrealistically high.

"All that a small firm with self-insurance needs is one or two cases of a catastrophic ailment, and that business is history," says management lawyer Stuart Bompey of New York City.

Many believe AIDS will be a critical factor in Capitol Hill's ongoing debate about catastrophic-care health insurance.

"The AIDS issue might prove to be one of the key items used in Congress to argue in favor of employers providing some minimum level of health insurance and providing for catastrophic insurance that would automatically cover AIDS," says Dallas Salisbury, president of the Washington-based Employee Benefit Research Institute.

A small business is more vulnerable than a big company to the repetitive disabilities that often accompany AIDS.

"In a larger company you can move people around and have the luxury of pinch-hitting," says CPA Joe Tumlinson, chairman of the board of AIDS Foundation Houston. "In a small business you don't have enough fat."

Already, AIDS has staggered the creative professions, which employ a number of people with high-risk behavior.

"This type of creative talent is impossible to replace in the work force," says Russell Radley, national director of the Design and Interior Furnishing Foundation for AIDS, an education and research organization.

"They are dying in such large numbers that it is not uncommon to see several members of small firms already gone."

The shock of this terminal disease, of course, reverberates through the workplace.

Mickey Steinberg, executive vice president of John Portman & Associates of Atlanta, says he went through a string of emotions himself when he heard that an employee in his 180-per-

son architectural and engineering firm had a confirmed case of AIDS.

"My first reaction was, 'That poor guy—what can we do for him?'

"My second reaction was, 'Wait a minute. Do I have anything to be concerned about? Will my staff be affected?'

"The third phase was 'Hey, I don't know much about the disease and its transmission, but I sure intend to find out.'"

When James Joseph, president of the Council on Foundations, was informed that the group's director of public information, Bill Poe, had been diagnosed as having AIDS, he knew he had work to do on two fronts, he says. He assured Poe that the Washington-based organization would help in every possible way, and he quickly educated himself on AIDS in order to calm his confused and frightened staff.

Employees need to be reassured that the workplace is safe. For both Joseph and Steinberg, that meant bringing in local experts and coupling this with discussion films, brochures and individual counseling. Steinberg also set up a shelf of AIDS-information materials in the company's library.

Groups of managers are often the first to be informed. "It is a way to be straight with people and also to map out a plan," says Steinberg. It is also the vital first step to assuage fears and replace them with facts.

Joseph says that after assembling his senior staff, he decided to learn more before talking with the rest of his employees. "I realized that senior management has the responsibility to set the tone of the company," Joseph says. "I let everyone know that they were in no danger whatsoever."

The employee with ARC or AIDS should be encouraged to remain on the job, AIDS counselors say. Whenever possible, flexible hours, part-time duty and other schedules to reasonably accommodate the employee should be made available.

Bill Poe left the Council just three weeks after he notified the group of his ailment. But the relationship did not stop there. Poe's co-workers still keep in touch, visiting him often and helping him cope with periodic bouts in the hospital.

"This is important," says Caitlin Ryan, an AIDS educator who worked with the Council. "Staying connected with Bill is critical for everyone to work through their own feelings, and it also gives Bill some hope and a sense of identity."

As they work with professionals such as Ryan, companies become better educated on how to handle AIDS.

A year ago, only 4 percent of the nation's companies had any type of AIDS policy statement. A recent survey by National Gay Rights Advocates found 23 percent of responding companies have developed, or are developing, written policies on AIDS. Two thirds now say they have policies forbidding employment discrimination against employees with AIDS or ARC.

Meanwhile, a couple of national groups have sprung up to push for more research and to foster business understanding.

The National Leadership Coalition on AIDS has been created to increase public/private sector collaboration. The American Foundation for AIDS Research is assembling a business and labor leadership coalition to involve the workplace.

Regional and local programs are also evolving. One such effort is being orchestrated by Ric Wanetik, senior vice president at Marshall Field's, the Chicago-based department store chain.

His aim is to raise $1 million in a single night in September for the AIDS effort and also to awaken the Midwest business community to the realities of the disease.

"Here in the Midwest, we have had some time to get better information and benefit from the experiences of the coasts," he says. "Now it's time for the business world here to move quickly because AIDS will hit us hard very soon. Chambers of commerce, civic organizations, religious and educational resources are all making progress so that the public at large, along with the business community, can come to terms with the disease, its consequences and its prevention." NB

To order reprints of this article, see page 55.

A Resource List

AIDS is an emotional and medical issue that will not go away, but the fear of the disease can be quelled through education. In some companies, an informal seminar is appropriate. In others, a newsletter or brown-bag lunch meetings may work better.

Here are some suggested resources to help employers and employees come to grips with the facts, fallacies and fears surrounding AIDS:

General Information

Your local health department and chapter of the American Red Cross.

The U.S. Public Health Service AIDS Hotline: (800) 342-AIDS, (800) 342-2437.

The U.S. Surgeon General's Report On AIDS (it is free). Write to: AIDS, Box 14252, Washington, D.C., 20044. (202) 245-6867.

Books On AIDS In The Workplace

AIDS and the Employer: Guidelines on the Management of AIDS in the Workplace, The New York Business Group on Health, Inc., 622 3rd Avenue, 34th Floor, New York, N.Y.,10017; (212) 808-0550.

AIDS: Employer Rights and Responsibilities, Commerce Clearing House, Inc., 4025 W. Patterson Avenue, Chicago, Ill., 60646.

AIDS: The Workplace Issues, American Management Association, Membership Publications Division, 135 W. 50th Street, New York, N.Y., 10020.

Programs On AIDS In The Workplace

AIDS in the Workplace Package, San Francisco AIDS Foundation, 333 Valencia Street, 4th Floor, San Francisco, Calif., 94103; (415) 864-4376. The program includes an informational videotape, educational guide for managers and strategy manual.

Managing AIDS in the Workplace, Workplace Health Communications Corporation, 4 Madison Place, Albany, N.Y., 12202; (800) 334-4911; in New York, (800) 942-1002. The AIDS Executive Briefing and Training Package includes a videotape and manual.

AIDS in the Workplace Program, Center for Health Promotion, George Mason University, 4400 University Drive, Fairfax, Va., 22030; (703) 323-2827.

MANAGING YOUR BUSINESS

Sprucing Up With Decorating Franchises

By Don Shipley

Today's busy, double-income homeowners don't want to spend their limited free time on do-it-yourself home projects. Increasingly, they are turning to custom home-decorating franchises such as Susan Howe's Decorating Den, which brings samples and a consultant's services to your door from the back of a van.

PHOTO: T. MICHAEL KEZA

When today's homeowners want to spruce up their homes, they don't want to run around town with furniture swatches, paint chips and carpet samples.

Faced with limited free time that keeps them from shopping at do-it-yourself home centers, many of these homeowners are turning to custom home-decorating and accessory franchises. At least that is what the franchisors of those businesses say.

The franchisees provide a blend of merchandise and services: window treatments and bedroom accessories, unfinished furniture and greenhouses, cabinets and bathtubs, carpeting and shelving, candles and fragrances, wallpaper and tile.

Their marketing strategy is based on offering design consultation and installation.

"The Future of Franchising," compiled last year by *Megatrends* author John Naisbitt and his research group for the International Franchise Association, projects that the remodeling and home-services franchise industry will enjoy 20 percent annual growth, taking the industry from the current $5 billion annually to over $9 billion by 1990.

Custom home-decorator franchisors see personal service and high quality as the keys to expanding their 10 percent share of this market.

"The customer wants service in the store today, and that's an obvious reflection of demographic changes in our society," says Houghton Hutcheson, vice president of franchise development of WNS, Inc., which has 650 franchise units in three segments of the decorative accessory and gift market, including candles and fragrances (Wicks 'N' Sticks), wall hangings (Deck the Walls) and wallpaper (Wallpapers To Go).

More than any other demographic trend, the emergence of families in which both husband and wife work—and the resulting lack of spare time—has fueled the growth of the industry, according to Hutcheson.

James Bugg, president of Decorating Den, the only full-service decorating franchise, agrees: "Married women who work are just too darn busy to run around doing the shopping as they once did." Bugg's 600-unit Bethesda, Md., franchise calls itself America's first affordable shop-at-home decorating service.

Decorating Den's franchisees do not have shops; they have vans containing samples of fabric, wallpaper and floor covering that they can bring to a customer's house.

Like Decorating Den, other franchised specialty home decorators are emphasizing convenience as well as merchandise.

"We're selling more than product. We're selling service," says Joe Esposito, vice president of Four Seasons Greenhouses in Holbrook, N.Y. "We have salesmen who will come to your house, and they'll generally have the ability to make a drawing that shows how our product would fit."

"We're different from home centers," he adds. "They'll replace products if they're defective, but that's about all they'll do. If you buy the product that's inappropriate, that's your problem."

Home centers are large warehouse-type stores that sell furnishings and home-decorating supplies—usually at a lower price—but generally offer none of the extra services, such as planning and installation.

Custom home-decorator franchisors call their salespeople "design consultants" and train them to provide customers with advice on how to use what the franchise offers.

"The stores are choreographed. The products are put in actual room environments, and the people in the store are there to demonstrate," says Michael Boehm, whose Space Options stores provide space-planning services and merchandise for homes, offices and automobiles.

Bill Streb, vice president and CEO of Naked Furniture, says its salespeople receive extensive training in using visual aids to demonstrate product quality and service options.

"I think the average consumer would opt to spend more money and buy a quality product if he or she really knew

Don Shipley is a Washington-based free-lance writer.

The services offered by custom home-decorating and accessory franchises give them an edge in a recession-sensitive market.

the difference," says Streb, whose franchise offers finished and unfinished furniture and a full range of finishing services.

Though home-decorator franchisors tout this higher quality and personal service, interior decorators and other groups in the industry have raised questions about the franchisors' levels of expertise.

Decorating Den's James Bugg counters such questions by asserting that home-decorator franchises have filled the middle ground between pricey interior designers and what he terms impersonal home centers.

"At the American Society of Interior Designers convention last year, their president talked about the many people out there who need $100 curtains and who are being completely ignored by members," says Bugg, whose wife is a member of ASID.

Home-decorator franchisors take account of economic realities in another way: When the economy makes buying a home difficult, they orient their marketing towards remodeling existing homes, as opposed to work that is tied to housing starts

"People are not as easily able to buy a new home as they were in the past, and once they get into one, they have to stay in it longer," says Hutcheson.

Impulse buys do not disappear when the economy is sluggish, he says, they just become more sensible. Gone are the cruises, luxury cars and other big-ticket items, but home decorating is still seen as an investment.

"Purchases ordinarily made during a boom time are put off, but what people might do to compensate for that is to buy something to spruce up their homes, remodel a bathroom, a kitchen—something that will stay with them," he says.

The relationship between the economy and redecorating is expressed succintly by Frank Ruggieri, director of franchise sales with Window Works, Inc., based in Pompano Beach, Fla.: "What happens if we hit a recessionary time and people aren't building or buying? They'll stay in their existing homes. What do people do when they stay in their existing homes? They redecorate." NB

THE NATION'S BUSINESS

How Much Does Uncle Sam Owe?

If the federal government changed its accounting method, the results might shock even a jaded public.

By Joan C. Szabo

How well does the U.S. government keep its books? Not well enough, say accounting experts who would like to see Washington switch to a sounder financial reporting system.

Such a move, they say, would provide the public with a more accurate picture of the real state of federal spending.

Washington does not employ the accounting methods it demands of most corporations. The federal government uses the cash method of accounting, while publicly traded companies are required to use the more complex accrual method.

Under the cash method, income is reported when it is received, and expenses are deducted when they are actually paid. With accrual accounting, liabilities are recorded when they are incurred and assets when they are earned.

"The government is merely reporting checkbook entries—receipts and disbursements—with no assessment of assets and long-term liabilities," says Morton Egol, director of the government services industry program for the Chicago-based accounting firm of Arthur Andersen & Company.

Supporters of the accrual method say using cash-basis accounting contributes to excessive government spending, because it masks the true size of the federal debt and the actual costs of federal programs.

A recent Arthur Andersen report entitled "Sound Financial Reporting in the U.S. Government" points out that if the accrual method of accounting had been used, the federal debt at the end of fiscal 1984—\$1.3 trillion—would have been a whopping \$3.8 trillion—nearly three times higher.

Cash-basis accounting, says Egol, does not alert citizens to the possible negative impact of unfunded liabilities, such as those for federal pensions and Social Security.

These unfunded liabilities are not taken into account until actually paid, which could lead to a financial crisis for future generations.

About half the state governments have already adopted the accrual method.

In fact, Washington imposed accrual accounting on New York City in 1975 as one of the conditions for loans to prevent bankruptcy.

Morton Egol (center) of Arthur Andersen & Company says that the federal government's method of accounting could lead to a misallocation of national resources and a deferring of costs to future taxpayers. "The potential exists to curry favor with today's voters at the expense of tomorrow's taxpayers."

PHOTO: TOM SOBOLIK—BLACK STAR

Under the 1986 tax reform law, a corporation with over \$5 million in gross receipts must use the accrual method.

On Capitol Hill, Rep. Philip Crane (R-Ill.) and 24 cosponsors have introduced what is known as the "Truth in Government Accounting Act of 1987." It would require Washington to prepare and make public annual consolidated financial statements using the accrual method. Current law does not require the government to distribute financial statements.

The legislation would also require the Comptroller General to audit the government's financial statements each year.

Despite its benefits, the accrual method does pose some problems, says Harvey A. Goldstein, a partner in the Los Angeles accounting firm of Singer, Lewak, Greenbaum & Goldstein and a commissioner to the White House Conference on Small Business.

For example, if the accrual method were adopted, there would be a need to re-educate the public. "Cash-basis accounting is easier to understand," he says.

Trying to account for the government's unfunded liability, such as Social Security, would present another formidable challenge, because experts say estimates would be little more than speculation.

Finally, concern exists among the country's leaders that once the real cost of government programs is known, an effort will be made to enact higher taxes and trim spending. Because the accrual method would show higher deficits than the cash method, Congress may be reluctant to vote for the switch.

Says Ed Meyer, legislative assistant to Rep. Crane, "the bill raises a lot of eyebrows, and that makes it more difficult to pass."

But many business leaders realize that these obligations must be faced soon—not doing so would mean disaster, says Egol. "If we don't allocate our resources based on the facts, then future generations will have less to spend on their needs." NB

MANAGING YOUR BUSINESS

Giving Kids The Business

Summer programs give young people a sense of how business really works—and they like what they learn.

By Roger Thompson

Take 150 South Dakota high school students, put them on a Sioux Falls college campus for a week to learn about the business world first-hand from owners and managers—no textbooks please—and something interesting happens. They have a great time *and* carry with them lessons that may change their lives.

Said Valerie Riebe of Rapid City: "The most important thing I learned is that if you really want something out of life, you go out and get it." Monica Nelson of Madison echoed that lesson, saying, "I learned that each and every one of us can be everything and anything we want to be."

Pretty heady stuff for teenagers who have never held more than part-time jobs. But the students gained more than inspiration from their mid-June adventure at the Youth Business Academy, sponsored by the Industry and Commerce Association, a private, statewide business group.

South Dakota's Youth Business Academy is typical of the 19 programs that have evolved since the first was held in Washington State 11 years ago. Coordination of the state programs is usually handled by a business organization, such as the state Chamber of Commerce.

At the South Dakota academy, the teens were bombarded with facts from a fast-paced program that presented speakers, films and one-on-one contact with business people who volunteered to serve as full-time advisers. Most advisers work for major corporations, such as banks or utilities. Two came from small businesses. Similar programs took place this summer in 25 other states.

Sioux Falls small businessman Jerry Simmons, the academy's irrepressible chairman, says the experience isn't designed to force-feed students a diet of free-enterprise doctrine. "First, we want the kids to have fun," says Simmons. "We want them to get acquainted with other kids from across the state, some of whom come from towns with fewer than 1,000 people. We want them to experience what it's like to live on a college campus. Lastly, we want them to get a better understanding of who business people really are."

Since South Dakota is an agricultural state, many of the students live on family farms. "One thing the academy stresses to these particular students is that the family farm is a business," says Charlotte Conway, the academy's director. "These students need to be aware that to survive the farmer has to make the same business decisions as any other business in town."

Jerry Simmons, chairman of the South Dakota Youth Business Academy, coaches the "A" team on how to play the Business Bowl, a quiz game that tests students' knowledge of business terms such as recession, capital investment, tariffs and deficit spending.

To that end, students are divided into 12 groups—or "companies"—with a business adviser assigned to each. In addition, a classroom teacher participates in each group as an aide to the adviser.

The advisers' chief task is to prime their student-run companies to do battle in a computerized business simulation that tests the students' abilities to manufacture either radios, razors or telephones profitably. The simulation is "the 'golden thread' that holds the program together," says Charlotte Conway, the academy's director. It introduces students to the language of business: return on investment, accounts receivable, sales volume, R&D, market share, sales commissions, unit costs and more.

Students play rounds over four days, with each round's decisions fed into a computer for evaluation. They quickly learn that business can be a roller coaster ride. One company, Bobby's Bongo Boxes, saw its stock value plummet from $44 to $29 a share and its market share skid from 27 percent to 17 percent in just three rounds of decision making.

The game's real-world value quickly became evident when the students toured Sioux Falls businesses on Wednesday. "The kids were asking questions about return on investment, R&D and advertising budgets," said Dianne Hoffman, an adviser and small-business owner from Highmore. "They had no idea what these things were at the beginning of the week."

The students also learned a little marketing savvy. On Wednesday night each company must perform a two-minute commercial for its product. Students are not told in advance to bring props to the academy, and they have only three days to prepare. "It's amaz-

ing how these kids improvise," says Conway. "But I know some of them must send their advisers all over Sioux Falls to find the props they need."

As a group, the students showed a strong preference for practical advice. Ceasar Smith, personnel director of The Principal Financial Group in Des Moines, made a lasting impression with his advice about how to dress, shake hands and act at a job interview.

"Before I heard Ceasar Smith, I would have gone in and just asked for a job," said Ken Behymer of Yankton. "Now I know to go in and really sell myself because the job is something that's important to me."

Smith also cautioned his youthful audience against making career choices for money alone. Think twice, he said, about putting a big paycheck ahead of personal happiness. By a show of hands, all but a few indicated it was advice they would heed.

Students got a chance to show off their newly acquired knowledge of business in the Business Bowl, modeled after TV academic quiz shows. Three-member teams from each company competed to determine who had the sharpest grasp of business terms such as recession, tariffs, gross national product and capital investment. The bowl also showed how much they have to learn.

At one point, time lapsed before either team could come up with the name for German currency. At another, neither team could guess the approximate size of the federal budget. "You ought to know. You'll be paying for it for the rest of your lives," quipped moderator Bill Peterson, an account executive with Colle & McVoy, a Sioux Falls advertising agency.

The program also stresses to students the importance of corporate responsibility to the area in which it operates, says Conway. Lecturers advocate businesses giving a little back to their communities through volunteerism, involvement in civic activities and making charitable contributions.

The academy, now in its eighth year, depends upon South Dakota business support to survive. Typically, a business chips in $200 to cover room and board on the Augustana College campus for a single student. Additional administrative expenses bring the academy's total budget to about $40,000.

At week's end, students in the South Dakota program received certificates, signed by the governor, symbolic of the investment made by the business community.

Advisers also take something home with them: "Some volunteers go into the program thinking they're giving up a precious week of their lives," says Conway. "But they all leave feeling they have received much more than they contributed. The students are so enthusiastic." And though students are not permitted to attend the academy more than once, some have returned as assistants to the advisers.

Said adviser Ken Bertness, of Northwestern Bell Telephone Company, in his farewell remarks: "You've had but a taste of the free enterprise system; I hope you go for the whole meal." NB

MAKE TOUGH DECISIONS WITH CONFIDENCE!

ANALYSIS FOR DECISION MAKING

▲ Developed at the Harvard Graduate School of Business Administration.

▲ Tested by more than 20 leading corporations, including Pillsbury, General Electric and Ford Tractor.

Now you can use a powerful tool of management science. Improve your decision making to build profits! Learn how to break down complex problems into logical steps. Build a technique so flexible it can be used for quick calculations or detailed computer analysis.

You'll receive 10 books, each about 100 pages, with step-by-step charts, diagrams, graphs, decision trees and tables. Twenty audio-cassettes are keyed to the exercises. They alternate lecture, dialogue and dramatizations from case histories. A complete guide will keep you on track as you practice the process that will become second nature.

Find Out With A Free 15-Day Trial. And Discover The Key To Vital Decisions With Confidence.

SPECIAL DISCOUNT OFFER FOR NATION'S BUSINESS READERS!

We'll send you this stereo cassette player **free** with your paid order. Listen in privacy to Analysis For Decision Making at home, at the office or on the road!

Pay only $395—a savings of $125—and receive a stereo cassette player with your paid order.

Send to ______________________

Company ______________________

Address ______________________

City/State/Zip ______________________

☐ Bill my credit card ☐ American Express
☐ Visa ☐ MasterCard ☐ Choice

Card Number: ______________________

Exp. Date: ______________________

Signature: ______________________

MAIL TO: Nation's Business, Seminars Department, 1615 H Street, N.W., Washington, D.C. 20062

Call toll-free 1-800-351-1700

Businesswomen: Equal But Different

By William Hoffer

***Nation's Business* is observing its 75th anniversary in 1987 with an anniversary issue in September and special articles like this in other issues.**

Even early in the 20th century, women were present in the American work force. And in war times, their numbers grew. However, not until the 1970s did women pursue roles as employers, rather than employees.

PHOTO: IBM ARCHIVES

In 1961 June Collier took a receptionist's job at Mid-South Electrical Fabricators, Inc., in Jackson, Miss. A small firm with only seven employees, Mid-South manufactured wiring assemblies for the automotive, appliance and aerospace industries.

For two years Collier watched the company struggle, agreeing to take a portion of her salary in stock options. During this time she came to believe in an idea that has propelled thousands of American women into the executive ranks: She believed she could manage the company better.

Her chance came when the firm went bankrupt, and she took control. It took her only a year to transform it into a profit-making enterprise. The company, now known as National Industries, Inc., and based in Montgomery, Ala., is grossing $130 million per year and has diversified into oil-well drilling and shopping-center management.

Collier was in the vanguard of a revolution in American business—one still under way and destined to alter much of the style, as well as the substance, of the nation's business life. Seventy-five years ago there were few women at any supervisory level of business. In the course of the 20th century, however, women took an ever greater role in the workaday world until, about 15 years ago, they discovered the challenge of entrepreneurship and began to exploit it on a grand scale.

To a woman, they acknowledge a great debt to the pioneers of their sex. Long before the boom, there were a few courageous women opening doors that had been closed.

One such woman was Ida Rosenthal, a Russian immigrant who started a dress shop in her New York apartment and later opened a retail outlet on 57th Street, along with her husband William and their friend Enid Bissett. During the early days of the flapper era, Ida Rosenthal noticed that the new fashions were unflattering to the feminine figure. She and Bissett designed the first uplift brassiere. By 1922 demand was so great that the three partners established the Maiden Form Brassiere Company. Today Maidenform, one of the largest and best known clothing manufacturing companies in the world, is run by Rosenthal's daughter, Beatrice Coleman.

Helen Mahler Brachman and her sister-in-law Henrietta Mahler sold their homemade French salad dressing to restaurants during the Depression. They later founded Henri's Food Products Company in Milwaukee; when Brachman died in 1980 at age 83, sales were $15 million a year.

Despite such successes, the woman entrepreneur was an exception for most of the long history of American business. There were always women in the job market, of course, and this trend accelerated greatly during World War II. Nevertheless, women tended to be employees, rather than employers.

As the women's movement of the 1960s accelerated dreams of success, the executive woman emerged, determined to follow the male's traditional pathway. This was met with entrenched resistance. "Many women felt that they couldn't test themselves within a male-dominated organization," says Susan Hager, a partner in the Washington public relations firm of Hager, Sharp & Abramson, Inc. "They had to play the role model, and they couldn't push too hard against the system or they would destroy opportunities for women coming up behind them."

Realizing this, Hager says, women turned to entrepreneurship in the next decade, doing for themselves the jobs they had been doing for other companies. Hager likens the era to "a new wave of immigrants, but without the cultural differences." Hager and her partner Marcia Sharp founded their

Seventy-five years ago there were few women in business. That has changed as women have discovered the challenge of entrepreneurship.

business in 1973 and have built it into a $1.5 million-a-year company.

"Women had to be better than their male counterparts," she asserts. "The women who went into business had to be much more resourceful and creative."

How have they fared? Hager has the statistics at her fingertips: In 1972, women owned less than 5 percent of all U.S. businesses and accounted for less than 0.3 percent of total receipts. Average annual sales of women-owned businesses were under $25,000. Today, according to NAWBO, women own 25 percent of all small businesses in the U.S. Between 1977 and 1982 the growth rate for women-owned businesses was 6.9 percent, compared with a national average of 3.7 percent. The 3,000 members of NAWBO own businesses that now average $425,000 in annual receipts.

The rise of the American businesswoman spawned new markets, and a decade ago Elisabeth Claiborne Ortenberg recognized and capitalized upon one of them. As women became more involved in the professional levels of business, they confronted a variety of cultural issues. One of the key points was appearance. Some of the more radical feminists chose to ignore or even attack the woman's traditional attention to beauty, but the mainstream businesswoman found herself in a quandary. She realized that business*men* were concerned about dressing for success, but applying that concept to her own gender dictated a disproportionate investment of money and—perhaps more important—time.

All of this played on Ortenberg, whose life was keyed to fashion. Born in Brussels, raised in Europe and New Orleans, her natural artistic flair led her toward the goal of becoming a fashion designer. At age 20 she won a *Harper's Bazaar* design contest and parlayed that early success into apprenticeships with designers Tina Lesser, Ben Rieg and Omar Khayam. She worked for 16 years as the designer for one fashion house, Youthguild, before her conviction that the working woman needed more wardrobe options drove her to launch her own business. Her goal was not merely to add one more fashion line to the market but to create

Fashion designer Elisabeth Claiborne Ortenberg (center) founded Liz Claiborne, Inc., to specialize in women's apparel that is fashionable, functional and affordable. She has found a wide market among other career women. With her here are members of her design team, Michael Hogan and Shelley Wexler.

PHOTO: HANS NELEMAN—WHEELER PICTURES

fashions that would cater to the "new sensitivity" of the modern woman.

At the age of 47, Ortenberg, her husband Arthur and partner Leonard Boxer pooled $50,000 in savings and borrowed an additional $200,000 to launch Liz Claiborne, Inc., specializing in women's apparel that was fashionable, functional and affordable. Her concept fit with the philosophies of the emerging businesswoman. She would hold up a new design as if she were looking at it in a store, consider the style and quality and ask herself, "How much would I pay for this?"

Consumer acceptance came quickly. In 1981 the company went public with such immediate investor acceptance that Merrill Lynch dubbed it "a case history for success." Lines of sportswear, cosmetics, accessories and menswear were added. By 1986 sales topped $813 million.

Ortenberg remains active as the creative force behind the company, as well as its president. "Today, women around the world are very much aware of how they want to look but don't want to spend most of their time putting themselves together," she says. "I think women today have a great deal more self-confidence and want clothes that can help show it."

It may not yet be apparent to their male competitors, but women are also creating a new style of doing business, Hager says.

"Our model of a successful entrepreneur," she explains, is not the driven individual who lives and dies for a company to the exclusion of all other considerations, but the man or woman "who has a successful business *and* a successful marriage." Women, she adds, are "not just interested in the short term." ■

Taking Off By The Numbers

By Marc Leepson

As accounting expands into many nontraditional areas, says J. Michael Cook, American Institute of Certified Public Accountants chairman, so does its need for unusual skills.

From the seed of simple bookkeeping—done by the legendary, stoop-shouldered, green-eyeshaded men sitting on stools and entering columns of figures in enormous ledger books—accounting has grown into a tree bearing unexpected fruit and with roots in every aspect of business.

Accountants don't just keep books any more; they help set up microcomputer-based accounting and information systems, suggest ways to maximize profit, set up personnel plans and give advice on long-term marketing strategies—and that is only the beginning.

J. Michael Cook, chairman and chief executive officer of the international accounting firm of Deloitte Haskins & Sells and the current chairman of the board of the American Institute of Certified Public Accountants, says that, in the not-too-distant future, accounting firms and clients will exchange many different types of data easily and rapidly via computer.

"I can see the situation where the small-business owner would have an electronic hookup with his primary creditors, and the information they would need to monitor the operation of the business would be continuous and transmitted electronically," Cook says.

Among other things, this ability may just make the annual financial statement obsolete. "Instead of getting last year's financial statement mailed in March or April, I can see people having current—weekly or monthly—information because the ability to accumulate, translate and communicate that information will be far greater than it is today," the AICPA chairman says.

The work of accounting professionals is currently in the spotlight more than usual because the American Institute of Certified Public Accountants is celebrating the 100th anniversary of its founding.

As is the case in many other fields, most of the change that has swept the accounting profession has occurred relatively recently. In addition to the technology explosion, the rapid expansion of federal regulations and such landmark legislation as the Tax Reform Act of 1986 have had a major impact on the work of CPAs.

"Twenty years ago, many smaller businesses were able to handle their [accounting] affairs by themselves because the regulatory environment wasn't all that difficult," says William S. Kanaga, chairman of the advisory board of Arthur Young & Company, the Big Eight accounting firm, and chairman of the centennial observance committee of the CPA institute. "In the mid-'70s we had a massive explosion in government regulation. This meant that small businesses had to go someplace to get some help. They turned to their CPAs, and our profession really exploded in terms of numbers during the period from 1970 to now."

The explosion of new regulations coincided with the widespread acceptance of data processing, by both small businesses themselves and their CPA firms. "Even the smallest businesses found that they could handle their requirements on data processing," Kanaga says, "and they turned to the person who was most logical to them to set up systems and organize things and put in data processing equipment for them—the accountant."

It was at that point, Kanaga says, that small and mid-sized businesses began turning to their CPAs for advice on matters outside the areas of tax and auditing. "Tax and auditing services were the first to become computerized," he says. Then came "all of the other areas that involve costs—labor controls, inventory controls and that sort of thing."

Kanaga says that the wide range of nontraditional services currently offered by CPAs may impair the traditional independence accounting firms have when auditing time rolls around.

"We'll have to handle with great care the areas of practice and management consulting we're in," Kanaga says. "With audit clients, we have to make sure that we do not impair our independence."

Except for the slight worry about independence, Kanaga says he sees "nothing but an expansion into the whole area of information gathering and processing and telecommunications—all of the areas that are booming technologically." Because of the large numbers of employees at the larger accounting firms (the biggest of whom have between 10,000 and 20,000 people on board), Kanaga believes that "it will be feasible" for the accounting profession "to be at the cutting edge of the technology in business data processing."

Does this mean that small and medium-sized businesses will be shifting from their local CPAs to the big accounting firms? Not necessarily, says Kanaga. "I don't think size is the determining factor" in choosing a CPA, he says. If a business is getting services from an individual CPA who is keeping up to date on the latest technology, there is no reason to make a change. However, if that CPA is not doing his homework, Kanaga says, "It's like going to a brain surgeon—if you think the

Marc Leepson is a Washington-based free-lance writer.

After 100 years, the accounting profession is marching to a different drummer. Clients now want lots of advice along with their financial statements.

brain surgeon hasn't been keeping up to date, you would be uncomfortable going to him to have a tumor removed."

Bruce Lowery, director of consulting practice for the management advisory services division of the national accounting firm of Seidman & Seidman in Grand Rapids, Mich., also views changes in the profession in terms of meeting fast-changing needs of today's businesses: "With the advent of specialty service areas, we're doing a lot of things that we wouldn't have dreamed about as recently as 10 to 15 years ago. Nontraditional services within the profession are growing at about three times the rate of the tax and audit work."

You might think such nontraditional services would be offered primarily by large accounting firms and appeal to large companies, but the trend is also strong among smaller, local accounting firms. And in many ways, this approach, whether offered by large or smaller accounting firms, can be more helpful to small and mid-sized businesses than to larger ones with specialists on their staffs.

"The small-business client looks at the outside CPA, in effect, as a business adviser to assist in the tax area and also as someone to consult with and provide advice to managers," says Philip B. Chenok, president of the American Institute of Certified Public Accountants. "But without the access to CPAs, these smaller companies might not be able to get cost-effective help and advice."

When a small electrical subcontractor in Northern Virginia needed help beyond bookkeeping, for example, it turned to Friedman & Fuller of Rockville, Md., which employs about 70 and serves between 250 and 300 small and mid-sized companies. The subcontractor has some accounting/personnel bookkeepers, says Anthony J. Guardia, Jr., a shareholder of Friedman & Fuller, but needed help in planning. In one potentially profitable area, the subcontractor was facing a period of heavy competition. "We suggested a cost-cutting measure that got the firm through the period," says Guardia. That service was part of the company's profit-improvement program.

The accounting industry as a whole bases much of its future planning on advances in computer technology. Clients will be in daily contact with accountants via electronic hookups.

PHOTO: ERNST & WHINNEY

The same subcontractor used Friedman & Fuller's personnel services, says Guardia, to evaluate two managers who were up for promotions and to formulate plans for their successions.

Yet another small company, an office installer, was facing heavy competition. Friedman & Fuller suggested how to diversify into landscaping and use telemarketing to expand its client list.

"Clients want someone to advise them, not just send out a financial statement," says Guardia. "Small-business clients need a lot of help in financial management because they're not in a position to hire full-time comptrollers. We fulfill some of the nonbookkeeping requirements of a comptroller."

Friedman & Fuller has set up three new nontraditional subsidiaries—for profit improvements, risk management and systems training—since April, 1986. In 1987 those services probably will account for nearly 25 percent of Friedman & Fuller's revenue; by the early 1990s nontraditional services should make up 50 percent of the firm's annual gross. "We feel that the future of the industry is providing a number of different financial services, sort of one-stop shopping for businesses," says Guardia.

Friedman & Fuller's profit-improvement experts closely examine a business' operations and then recommend improvements. Since the profit-improvement program began, the typical business that has used it has experienced 30-35 percent profit increases.

The risk-management subsidiary provides insurance analysis, loss-control engineering and property appraisals for client firms. Friedman & Fuller advises clients on matters involving insurance and risk management. Typically, risk-management specialists draw up insurance specifications tailored to a particular business and then help the company find an underwriter to provide the insurance.

The systems-training division of the firm helps business clients decide what kind of computer equipment to buy and shows the firm's employees how to get the most out of that equipment. Employees are trained on site in database management, spreadsheets and receivables management.

The idea that accounting firms might perform the wide range of services they offer today was beyond imagination when the nation's accountants got together and founded the American Institute of Certified Public Accountants on Aug. 30, 1887. As the institute moves into its second century, its future looks bullish.

Accounting is one of the fastest-growing occupations in the country, according to the U.S. Department of Labor, and the growth in accounting jobs is expected to climb in the next decade. AICPA membership figures reflect the trends: A decade ago the association had 131,000 members; today membership has reached 240,000.

One reason so many are moving into the field is its remarkably good reputation among the general public. A Harris Poll released last October, for example,

MANAGING YOUR BUSINESS

Taking Off By The Numbers

found that the accounting profession "is among the best regarded institutions in the country." CPAs received exceptionally high marks in ethical and moral practices, the survey found. "By any standard, the reputation of CPAs and the accounting profession is high, indeed," says pollster Lou Harris.

Part of that respect is certainly due to the industry's rigorous standards. In order to become a CPA, it is necessary to have a bachelor's degree in accounting, pass the two-and-a-half day national Uniform CPA Exam and obtain certification from a state accountancy board. Forty-eight of the state boards also require that CPAs take continuing education courses—usually 40 hours of classroom work a year.

There have been discussions about toughening the requirements—specifically to require that CPAs complete one year of post-baccalaureate education. The AICPA has endorsed the idea, but it has received only lukewarm support within the industry as a whole. "Some people think the market should govern hiring, and that it should not be done by rule or regulation," says Cook, the AICPA head. Today about 15-20 percent of those hired have advanced degrees.

A handful of states recognize specific accounting specialties. In Colorado, for example, CPAs have been able to get state certification in personal financial planning since 1985. Since then, three other states—California, Michigan and Washington—have instituted certificate programs in personal financial planning.

And the profession's face as well as function is changing. That accountant who shows up at your office with computer in hand is more likely than ever to be a woman. "Ten years ago the firms in the profession hired a relatively small percentage of women," Cook says. "Today, slightly over 50 percent of the entrants into the accounting profession are women." According to a recent AICPA report, moreover, the number of female professionals employed by the major accounting firms has quadrupled in less than a decade.

Because of the new emphasis on nontraditional areas, accounting firms these days are on the lookout for a wide range of specialists. Until recently, accounting firms hired primarily business and accounting graduates. Audit and tax staffs still need those people, but, for the other specialties, it's changed. "Human resources people, people who are trained in psychology and personnel, engineers, training specialists, people with backgrounds in marketing—they're all candidates for public accounting," Lowry says.

One area that looks especially ripe for major change is financial reporting. "The one thing that undoubtedly will have the greatest impact on our future will be the degree to which financial reporting becomes an electronic process," Cook says. In the future, Cook and others say, financial reporting will be done continuously.

The accounting industry as a whole bases much of its future planning on advances in computer technology. "Everybody will have to become more computer-oriented," says AICPA president Chenok. "Large businesses, small businesses—all businesses will be much more heavily involved in the whole information explosion, and accountants will be very much a part of all that." NB

PEOPLE

Making It

How healthy habits—exercising, eating yogurt—put a healthy glow on two enterprises.

A Coach Who Got Back In The Game

Former baseball coach Jerry Brentham displays hydraulic cylinders like those he used to build exercise equipment that he says is safer and more effective than conventional free-weight units. His Hydra-Fitness Industries of Belton, Tex., sells 20 models, one of which is demonstrated below by Paul Trammell, a Hydra-Fitness employee.

PHOTOS: STEVE EARLEY

A baseball game "isn't over till it's over," said Yogi Berra. Jerry D. Brentham of Belton, Tex., found the same can be true of a business venture.

Brentham, president of Hydra-Fitness Industries, Inc., was a high school baseball coach when he witnessed an accident in the school's weight room. An athlete who was leg-pressing narrowly escaped serious injury when his feet slipped and the weights fell, Brentham recalls.

The incident sparked an idea that was to make him a multimillionaire.

Setting out to construct a safer exercise machine, Brentham drew on his teenage work experience with a company that designed and produced hydraulic equipment for heavy industrial machines. He pursued the idea of using hydraulic cylinders in place of conventional weights on an exercise machine. His approach: Attach a hydraulic cylinder to a push/pull bar.

Borrowing $16,000 from a local bank, Brentham spent evenings in his garage puttering with the cylinders, painting machine parts and hanging them to dry from the trees in his yard. Two years later, in 1969, Brentham unveiled the first hydraulic weight-resistance unit.

The equipment allows the user to adjust the degree of resistance with a dial that varies the amount of fluid forced through an opening within the cylinder. In a progressive regimen of bench-pressing, for example, the user of a hydraulic unit would raise the settings for speed and resistance, rather than add more weights.

After Brentham introduced his machine, area coaches clamored for more, and he quit coaching to work full time on manufacturing and selling the exercise units.

But like many entrepreneurs, Brentham soon found that running a business was not as exciting as he anticipated. He loved his creation, but he missed coaching. So when an athletic-equipment manufacturer offered to buy the rights to manufacture and market his machine, Brentham accepted.

He happily returned to coaching, and the manufacturer started selling Brentham's machines. "I thought this would be a good living for my family," says Brentham. "I thought I could just sit back and collect royalties" under terms of the agreement transferring the rights. But a legal dispute arose.

"My wife and I were too trusting," he says. "The company refused to pay a royalty." Making only $8,000 yearly as a coach, he could not afford to fight the contract dispute in court.

Brentham also was saddled with large payments on his initial $16,000 loan. He found himself restoring and selling old pickup trucks, taking a part-time job as his church's music director, selling his home and eventually abandoning coaching to sell real estate to pay his debt. "Those were two of the toughest years financially of my life," he says.

Then things started looking up. Brentham's earnings from real estate picked up, he and his wife built their dream house, and, he says, "It was the first time since we had been married that we had financial security."

But something was missing from his newfound prosperity.

"After a lot of prayer, it became evident that I had to get the machine back," he says. But that meant selling the family's dream house to raise the capital needed to reclaim his invention.

"My wife was reluctant to give up our security," says Brentham. "But I told her that God wanted me to do something besides sell real estate. She

A Coach Who Got Back In The Game

said, 'Well, if He does, He'll tell me, too.' "

Brentham learned that sales of his invention were foundering for the other company. Brentham's wife, seeing this as a good omen, agreed to put their house up for sale. But no one came by to see it. Brentham began to wonder whether he would ever be able to raise the needed funds.

Then, out of the blue, the manufacturer's vice president approached Brentham and asked if he wanted to buy back the rights to his invention along with the entire inventory of unsold units. The buyer had not been able to achieve its goals for selling the exercise machines and had concluded that the hydraulics-based product line did not fit into its plans. Brentham reclaimed the machines for a fraction of what it had cost the company to manufacture them. And the Brenthams never did have to give up their dream home.

When he again began running the enterprise he had started, Brentham recalls, "I made a commitment to burn all my bridges behind me so that there was no choice but to make this business work. There would be no way to back out unless I went into bankruptcy." First-year sales in 1974 were $17,000.

By the following year, Brentham had hired only one employee, but sales shot up to $67,000. Today, Hydra-Fitness has 20 models customized for exercising various parts of the body, 100 employees and annual sales of more than $6.5 million.

Brentham credits much of his success to lessons learned from coaching. "A coach is only as good as the team he puts together. And you've got to have good assistants, or you have to know where to go if you have questions. That was the same principle I took with me into business."

With this philosophy in mind, Brentham recruited a top-notch board of directors. "I went to my banker and asked who his accountant was. I figured if the guy's good enough to be the bank's accountant he's good enough to be mine. Then I looked for the best attorney and financial planner. And then, of course, I had to have my pastor for spiritual counseling."

To show thanks for his prosperity, Brentham donates 5 percent of his company's gross earnings to university scholarships and Christian charity projects. "After all," he says, "God gave me the idea for this business."

—*Nancy L. Croft*

Former Secret Service agent Sam Holt (right) founded Zack's Famous Frozen Yogurt, Inc., in New Orleans in 1977. Three years later Homer Watts (left) joined him. The partners last year enjoyed sales exceeding $5 million.

PHOTO: KEN TOUCHTON

A Yogurt Named Zack's

Ten years ago, 29-year-old Sam Holt's future was secure. He was a Treasury Department agent who guarded U.S. leaders and visiting foreign dignitaries. It appeared that there would always be a need for his services; after all, violent acts against prominent people were on the rise.

At about the same time, a pastel-colored dessert—frozen yogurt—starting catching on. Holt, a fitness buff, was fascinated by the idea of a healthier, lighter dessert. He thought there was a real business opportunity in it.

Secret Service or yogurt? For Holt there was no contest. He turned in his gun and opened a frozen-yogurt stand in New Orleans. That first stand has grown into 125 Zack's Famous Frozen Yogurt stores, and there are plans for 125 more by year's end. The company served more than 11 million cups of frozen yogurt last year—over $5 million worth.

"We should do more than $10 million" this year, says Holt, a marketing graduate from the University of South Carolina.

"My job as a Treasury agent was exciting," admits Holt, "but I wasn't growing. And I was ambitious. I had reached a sort of plateau in law enforcement. Besides, law enforcement work is pretty negative, and I wanted to work in a more positive field."

But the story was not all sweet. "To open the store, I put up $6,200, a partner put up an equal amount, and we borrowed the balance of the $80,000 we needed. Then the guy left, so I bought him out."

And the yogurt itself was not the tasty, creamy concoction Holt sells today.

He had no plant, so Holt had to buy his product from a yogurt manufacturer. The tart, custard-like mixture appealed mainly to health zealots.

But the persevering Holt brought in a new partner in 1980. Homer Watts, a veterinarian about to retire, shared Holt's enthusiasm about the future of frozen yogurt in an America seemingly obsessed with diet and health.

By 1983 Holt and Watts had built their own manufacturing plant (now 15,000 square feet). Soon their nutritionists and blenders were churning out what has become the distinctive Zack's Famous Frozen Yogurt. (The name Zack has no particular significance, says Holt. "It's just a heck of a good name.")

"We did a lot of blind taste-testing, and our product was always winning. We believe our frozen yogurt still tastes the best. And it has fewer calories and only half the fat of our major competitor's yogurt," says Holt.

Zack's, privately owned and operated by Holt and Watts, plans to open franchises in Japan and Taiwan this year.

The overseas operations will move Holt, Watts and Zack's closer to their goal: "1,000 shops by 1991."

—*Del Marth*

Free-Spirited Enterprise

A Rose By Any Other Name Tastes Great

A 30-inch florist's box. Red bow, gold seals. Personal notecard.

Roses! For me??!!

For you, yes. Roses, no. These American beauties, a dozen long-stemmed chocolate chunk cookies perched atop plastic rose stems, are presented by Cookie Creations, Inc., Salt Lake City. President Pattie Lockard dreamed them up while writing jokes for her greeting card company, Rozzalind Russett Productions.

Lockard's motto: "If you aren't laughing, you should be eating." Other products are under development, she says. And how sweet it is. Lockard's fully baked idea grossed $3,500 the first month and now sells nationwide via a toll-free order number and overnight delivery services.

Let's Make A Squeal

You head out to the driveway to jump in the car to go to work. The tire—Oh, no!—is not only flat, it is also damaged beyond repair. You cuss, take off your coat and ruin your good shirt wrestling with the tire. And then you have to take the car to a station to have the tire replaced.

But if Monte Tobin has his way, you'll just call one of his franchised Freedom Tire vans and have them put on a new tire for you—no muss, no fuss and, he says, no extra charge: "We can sell you top-brand tires for less because we operate from vans and have very low overhead."

May The Arm Force Be With You

Speaking of franchises . . . lean into this one: the World Class Arm Wrestling Machine. Entrepreneur Jack Barringer insists that Sylvester Stallone's "Over the Top," a movie about a truck-driving, arm-wrestling, soft-hearted Rambo (we know, we know, but it's a *Stallone* flick), is no flash in the pan. You don't remember the movie? Never mind. Barringer says it will put sales of his machine over the top.

We're talking major technology here, says Barringer, who lives in Ames, Iowa. The machine is supposed to eliminate unfairness, allow left-handers to wrestle right-handers and even accommodate two-person teams.

But will Snoopy take it to the championships in Petaluma?

It's Out Of The Can: Pop-Top Parley

"You shouldn't have to be a big shot to buy a lousy speech. After all, this is America," says Jeff Cook.

Cook, a free-lance speechwriter from Seattle, set out to do something about it. His Cook's Canned Speech Company packages speeches for all kinds of occasions—birthdays, graduations, promotions, conventions—in pop-top cans.

Sprinkled liberally with puns and one-liners, the discourses are "mercifully short." That alone is a major advance in speechmaking.

Dog Gone

When Sandy and Michael McCormick decided to give pets more distinguished burials than in cardboard boxes, they got very little respect.

"Everyone's first reaction to the idea was to laugh," says Sandy.

They are laughing no longer. The McCormicks are doing quite well marketing their Pet Rest backyard burial receptacles (not coffins, please), which come in four sizes. The extra small, they say, is also suitable for use as an urn.

The receptacles come with personalized name identification and a sample memorial service for backyard burial. Optional pillow pad available.

Laugh if you dare. The McCormicks expect sales of $980,000 in 1987.

THE NATION'S BUSINESS

An Economic Bill Of Rights

President Reagan renews his call for more privatization and for laws to make Congress fiscally responsible.

President Reagan plans to intensify the privatization campaign that has already received major impetus from his administration. He included new initiatives on privatization, a concept of special interest to small business, in the "Economic Bill of Rights" that he announced in an address over the Fourth of July weekend.

The address was the focal point of the "Star Spangled Salute to America," a holiday observance sponsored by the U.S. Chamber of Commerce at the Jefferson Memorial in Washington. Vice President George Bush, members of the Cabinet and other top leaders of the executive and legislative branches were also on hand for the event attended by 5,000.

The President renewed his call for a balanced-budget amendment to the Constitution and for line-item veto authority. With the latter, the Chief Executive could reject specific items in appropriations bills he now must accept or turn down in their entirety.

Other provisions of his Economic Bill of Rights would require a "super majority" in Congress for approving tax increases and a "Truth in Spending" requirement that Congress specify up front how new programs would be financed.

In discussing privatization, the President said: "As part of our initiative, we propose to prune judiciously from the government that which goes beyond the proper realm of the state." He announced that he would:

- Establish by executive order "a bipartisan Presidential Commission on Privatization to determine what federal assets and activities can and should be returned to the citizenry";
- Order the Executive Branch to "find additional ways for contracting outside of government to perform those tasks that belong in the private economy."

Privatization is the process through which government agencies turn to the private sector for goods and services they had been providing with government employees and facilities. The switch often occurs at military bases or other federal installations throughout the country, and local small businesses are frequently in positions to provide the products or services required.

Joining the President and Mrs. Reagan in the national anthem are (from left) Secretary of Labor William Brock, Secretary of State George Shultz and (far right) Vice President George Bush. At the podium is Oliver H. Delchamps, Jr., chairman of the U.S. Chamber of Commerce, sponsor of the July 4 observance.

PHOTO: T. MICHAEL KEZA

The President discussed privatization as part of his overall goal of reducing a centralized government that "poses a threat to our liberty far beyond anything imagined by the patriots of old."

Steps needed to achieve his goal, he said, included a requirement that "tax increases must be passed by both houses of Congress by more than a mere majority of their members."

He did not specify what percentage should be required, but White House sources indicated that he was thinking of a two-thirds majority in each house on any tax-increase bill.

In describing his "Truth in Spending" recommendation, the President said that every proposed law establishing a new spending program would have to state whether the financing was to come from offsetting reductions in other programs or from new revenues."

The President has called several times in the past for a balanced-budget amendment and line-item veto authority, but Congress has consistently refused to respond.

A constitutional amendment requires approval of a two-thirds majority of each house of Congress and ratification by 38 states. There is a dispute as to whether it would also take a constitutional amendment to confer line-item veto authority on the President. Some supporters in Congress say it can be done legislatively and have introduced bills to permit it on an experimential basis. They say that a test would prove that giving the President selective veto power would impose necessary discipline on federal spending without harming essential programs.

In the wake of the President's call for a balanced-budget amendment, there has been speculation that continued congressional refusal to act might revive the movement to bypass Congress in favor of the alternative amendment procedure set by the Constitution—a convention.

Congress is required to call such a convention at the request of 34 states, and a movement to win the necessary approval has been stalled, just two states short.

Any amendments approved by a convention also require ratification by 38 states. NB

Personal Management

To Your Health

By Carol Dilks

The Massage Break Is Catching On

The day is usually tense at Diana Scherer's San Francisco investment brokerage firm. As the pressure builds, the president feels her shoulders tighten. Hours of pinching the phone between her shoulder and ear have paid off with a knot the size of a jumbo olive.

Then, in the middle of yet another intense phone conversation, relief walks through the door. It's Scherer's massage therapist.

Everything goes on hold for 15 minutes as Scherer, seated and fully clothed, receives her weekly stress-reduction massage. Her shoulders, neck, arms, back and head are skillfully pushed and prodded with time-honored techniques from the Orient.

By the time the phone line opens again, Scherer is renewed. "I feel more relaxed," she says, "so I can start fresh."

Massage, in the form of either quick tune-ups or hour-long, full-body sessions, is making inroads in the world of corporate bodies. What used to be considered a luxury or a euphemism for close encounters with friendly girls in hot pants is now becoming a proper and thoroughly mainstream activity.

"The onus of massage as sexuality is disappearing," comments Stephen Pizzella, owner of Pacific Health Systems, a San Francisco concern specializing in in-office stress-reduction treatments.

Pizzella's five practitioners (the words masseur and masseuse have been rubbed out of the current vocabulary) have been pressing pinstripe-clad flesh for four years now and have contracts with corporations, large and small, for weekly sessions.

The practitioners have performed an estimated 10,000 treatments in 2½ years for Apple Computer. At DLM Investments, half the 18 employees have

Carol Dilks is a Philadelphia freelance writer.

Steven Herfield, president of Manhattan Temporaries, Inc., receives a weekly massage in his New York City office from International Health Systems' Russell Borner.

PHOTO: WAYNE SORCE

followed Diana Scherer's lead and signed up for treatments taking no more time than a coffee break.

In New York City, Steve Herfield, president of Manhattan Temporaries, Inc., a temporary employment agency, foots the bill for weekly treatments for his 12 employees. The cost, at $65 an hour for about two hours, is an investment that Herfield finds adds mental muscle to his work team.

"It re-ignites us and relaxes us, but not to the point of tiredness," he says. "It's a great way to break up the day and a real morale booster."

International Health Systems, the firm that sends Herfield's massage therapist, employs 65 licensed practitioners. The full-service group offers referrals in 25 cities and gift certificates as well.

The company's cofounder, Iris Lee, sees massage fitting into the health programs of many corporations, but she says almost all payments now are made by individual clients rather than employers.

Although there are almost as many types of massage as there are brands of running shoes, two styles are most commonly used.

Swedish massage, the most familiar to Americans, uses long, deep strokes and sharp taps to increase circulation in the muscles and soft tissues. Shiatsu, the Japanese technique, is based on the application of pressure (with hands, knees, elbows and even feet) to specific points to improve the body's flow of energy. Acupressure, a variation of Shiatsu, is the style used in in-office sessions.

What kind of rub you get is a matter of taste and time. Stress-reduction treatment, according to the American Massage Therapy Association (AMTA), is a quarter-hour designed to pick up attention, productivity and awareness.

Full-body massages, which take about an hour and require complete undressing, cost $20 to $75, depending largely on whether the client travels to the therapist or vice versa. The full treatment dilates the blood vessels to improve circulation, relaxes the entire body, increases nutrition in the tissues and alleviates pain and swelling due to arthritis or injury to ligaments and tendons.

Although massage can help some conditions, it is wise to see a physician if you have an injury or problem for which you are considering massage therapy. "In fact," warns Dr. Anne Idiculla, medical director of physical medicine and rehabilitation for the Medical College of Pennsylvania in Philadelphia, "it is sometimes contraindicated. This is certainly the case if there is any problem of circulation, since massage may dislodge a clot."

Some doctors, however, are starting to prescribe treatment by qualified therapists for some problems, such as sprained ankles. With a physician's prescription, treatments are covered by health insurance.

Only 14 states have licensing procedures for massage practitioners. This relative lack of control, says AMTA, is one of the major obstacles to improving the caliber of work and to general acceptance of massage as serious business.

Despite its non-sexuality, massage is intimate, so there are codes of behavior that make sessions safe and discreet.

What's that, friend? Your convertible bond got caught in the rain with its premium down? The state government sent your income tax refund to the IRS? Maybe a little massage would help.

If you are meeting a therapist for the first time, says AMTA, you should be asked for a medical history. At each session, the therapist should ask if there are any areas of tension or tenderness that need special attention.

If you are having a full-body massage, you should have complete privacy for undressing and should be completely draped by a sheet or towels except for the one area being worked on.

And you should never feel any pain during treatment. Although an area can feel slightly sore afterward, there should be no bruising or swelling.

Finding the right therapist may take time.

To complicate your search, the phonebook listings do not separate the trained practitioners from the untrained. So most people find their therapists by word-of-mouth.

If none of the people you know can offer any leads, call a local school of massage therapy or a health club. Or contact the American Massage Therapy Association (808 Bukolt Ave., Stevens Point, Wis. 54481; 715-341-6358) for the names of registered therapists in your area. NB

It's Your Money

By Ray Brady

Time For a Shiny New Convertible?

If you can be sure of anything, it's this: The business of recommending investments goes in cycles. The merest whiff of inflation, and the gold bugs are out in force, urging you to buy bullion or coins. In a bull market, the assorted pundits will all advise the same course: buy.

Now, with the market at dizzying heights and many people concerned about a correction, more and more investment advisers are talking about convertible preferred stocks and bonds. Those are securities that, as the name implies, can be converted at some point into the common stock of the corporation that issued them. At the same time, you get an investment with a dividend or interest rate higher than that of the common stock.

As one broker notes: "With this kind of volatile stock market—up 50 points one day, down 60 points the next—you want protection against a drop, but you don't want to miss out if the bull market is going to keep moving up. Converts give you both."

Ray Brady is the business correspondent for CBS News.

Since the bond or preferred stock can be converted into common stock, it will go up in price as the underlying common stock rises, although not as quickly. On the other hand, the convertible has that higher yield. That, runs the theory, will keep the convertible from dropping as fast as the common stock in a "down" market.

For example, the convertible preferred stock of B.F. Goodrich, the tire and chemical company, recently yielded 6.3 percent. In contrast, the common stock was yielding less than half that amount, at 3.1 percent.

But is it all that simple?

Not exactly. Just listen to Richard C. Nelson, a specialist in analyzing convertibles for the Wall Street investment house of Kidder, Peabody & Company. "Buying a convertible," he says, "is like buying a common stock. You've got to make your investment decision on the convertible's individual merit."

Which means you still have to analyze the common stock and the company. "All the work," says Nelson, "still has to be done on the common stock. After all, if the common goes up, you'll make money on the convertible. If the common goes down, you'll lose money."

Kidder, Peabody & Company's Richard C. Nelson says convertible securities can be profitable investments, but they need careful analysis before you buy.

In other words, don't be beguiled by the fat yield on a convertible. Make sure that the common stock behind the convertible is doing well or is likely to do well in the future.

Next, you've got to familiarize yourself with two new terms. One you already know: *yield*, which is the amount of dividends or interest you'll get on your convertible. Yields on many convertibles, it should be noted, are now quite good. Many were recently returning 7.5 percent, compared with 5.5 percent a year ago.

The second term is *premium*, and it takes only a minute's worth of thinking to understand what it is. The convertible's main feature, as I've noted, is that it can be exchanged for common stock. The premium is simply the percentage by which the price of a convertible's market value exceeds that of the stock for which it could be exchanged.

If a convertible is selling for $60 and the shares you could get by converting are worth $50, then the premium on the convertible is 20 percent.

But how high a premium should you pay? "You want a reasonably low pre-

mium," says Nelson. "Below 25 percent."

Premiums are down from an average of 28 percent a year ago to a current 23 percent.

Which brings up the question: If this investment is so attractive, why aren't the Wall Street professionals falling all over themselves to snap up convertibles?

One money manager answers the question this way: "Look," he says, "if I think a common stock's going up, I'll buy the common, because converts never go as high as the common. So why should I shortchange myself?"

Still, if you think it may take a company three years or so to turn its fortunes around, a convertible does give you a fairly handsome income while you're waiting for the common stock to go up.

There's something else you should check out, says Kidder, Peabody's Nelson. Like many straight bonds, he says, convertibles may have a "call" feature. Under certain conditions, the company can call in the bonds and pay you off, leaving you without the return you thought you had secured.

Nelson, incidentally, likes the convertibles issued by some of the paper companies. He points to returns of 6.5 percent on a Champion International issue and the 6.1 percent available on Federal Paperboard. Among high tech issues, he says, you can get 5.75 percent on Prime Computer, and he says to watch one IBM convertible debenture, the 7⅞s of 2004.

Right now, the premium on that issue is 17 percent. If it dropped to 15 percent, "we'd see a lot of shifting," says Nelson. NB

For Your Tax File

By Gerald W. Padwe, C.P.A.

Congress, Spare Us This Reform

In its zeal to raise revenues through tax reform, Congress last year decided it could raise $1.7 billion over the next five years by putting partnerships, S corporations and personal-service corporations on a calendar year for tax reporting. That meant shareholders and partners could no longer use the difference between fiscal and calendar years to defer taxes.

In the process, Congress managed to create a reporting nightmare for those companies.

Before the 1986 Tax Reform Act, partners or shareholders of pass-through entities could defer tax by electing a tax year other than the calendar year. The deferral arose because any partner or shareholder was taxed as if all income were earned on the last day of the entity's fiscal year. If the company had a fiscal year ending Sept. 30, 1985, for example, income earned from October 1 through December 31 would not be subject to tax on the owners' 1985 returns but would be tax-free until Sept. 30, 1986. And the partner or shareholder could use the money in the interim.

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. Readers should see tax and legal advisers on specific cases.

Similarly, a closely held corporation rendering personal services—generally a one-person operation on a cash accounting basis—could elect to pay all salary and bonuses to the owner at the end of the corporation's fiscal year.

What the owners got to use, of course, the government did not; the Treasury Department well understands the time value of money.

Businesses affected by the 1986 Act will, therefore, have to close their books and file two tax returns for 1987—one for the fiscal year and one for the period remaining between the end of the fiscal year and December 31.

Some members of Congress, seeing what they have wrought, have developed a bill that would allow the affected entities to retain their fiscal years.

Of course, that doesn't mean Congress is going to forget about the $1.7 billion.

The bill would require owners of partnerships and S corporations electing to remain on fiscal years to increase their estimated tax payments. Their normal estimated taxes would include 28 percent (35 percent in 1987) of their previous year's deferred income. For example, assume that a pass-through entity has a fiscal year ending September 30. This defers three months of the owners' income. The proposal would increase an owner's estimated taxes by 28 percent of one fourth of the previous year's income from the entity.

Personal-service corporations could elect to retain their fiscal years as long as they paid shareholder salaries and bonuses evenly during the year. Where bonuses are not determined until year-end, companies would have to defer deductions for some portion of the salary and bonus payments, thus increasing tax in the current year.

Assume that a personal-service corporation with a June 30 fiscal year pays out a $50,000 salary in the first six months of its year. That is the maximum that could be deducted for the last six months of its fiscal year. Any excess (such as year-end bonuses) would be deductible, but only in the corporation's next fiscal year.

Ain't No Hidin' Place

The longstanding close relationship between federal and state tax collectors is getting closer.

There is, for example, a long history of state-federal sharing of tax return information, subject to some stringent restraints to prevent improper disclosure. States were not permitted to make that information available to cities or other local jurisdictions.

A new policy gives the states an important role in helping the IRS collect delinquent payments.

Using its authority to seize the assets of a taxpayer who owes federal taxes, the IRS has worked out an arrangement with many states under which a state will not refund overpaid state income taxes to individuals delinquent on their federal tax payments, but will instead transmit the funds to the IRS for application against the delinquent federal account.

The IRS sends to the states magnetic tapes listing delinquent taxpayers. The states check those lists against their lists of taxpayers due refunds of state income taxes. The states forward the refunds to the IRS. Any disputes are then handled by the IRS. Yes, taxpayers are told where the state tax refunds have gone and which person (or machine) they can contact about it. The program was started last year, and nearly 30 states are expected to be participating by 1988. NB

THE NATION'S BUSINESS

Where I Stand

Results of this monthly poll are forwarded to top government officials in the White House and Congress.

1. Capital Gains Tax On Estates Of Deceased?

The idea of taxing capital gains on inherited property is gaining more attention as the House Ways and Means Committee considers ways to cut the federal budget deficit. Proponents say the tax could raise as much as $5 billion a year and would primarily affect well-to-do individuals, not average taxpayers. Small-business owners and farmers have beaten back similar proposals in the past, arguing that taxation of capital gains on estates would reduce the incentive to save and could force sales of small businesses to pay those taxes. Tax law changes last year raised the top capital gains rate from 20 percent to 28 percent. Should Congress enact a tax on capital gains at death?

2. Narrow Tax Exempt Activities Of Nonprofits?

The Small Business Administration has called for changes in the federal tax code to narrow the activities in which certain nonprofit institutions may engage without paying taxes. Small-business owners complain that certain nonprofits, particularly colleges, hospitals and research institutions, are increasingly engaging in commercial activities not directly related to the institutions' missions. These nonprofits counter that most disputed activities are legitimate extensions of teaching, research or charitable activities or matters of convenience to students, faculty and the public. Should Congress more strictly limit the activities of these nonprofit organizations?

3. Mandatory AIDS Testing?

As the AIDS epidemic continues its relentless spread, some officials are calling for mandatory testing on certain occasions: admission to hospitals or prisons, application for marriage licenses and treatment at clinics serving high-risk groups. Opponents of mandatory testing say it would drive those at high risk (homosexuals and intravenous drug users) underground because of fear of discrimination if test results are positive. Opponents also fear violations of confidentiality. Proponents maintain that detection is the crucial first step toward stopping further spread of a disease with no cure. Should federal and state governments implement mandatory AIDS testing for these cases?

Verdicts On June Poll

Here is how readers responded to the questions in the June issue's Where I Stand poll.

	Yes	No	Undecided
Should Congress postpone enforcement of the new immigration law to allow employers more time to study it?	49%	44%	7%
Should Congress enact variable employer premiums to provide more funds for the Pension Benefit Guaranty Corporation?	49%	27%	24%

Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Advertiser Information

*To respond to **Where I Stand** or to receive **Advertiser Information,** please call **1-800-443-5903** or complete the necessary information on the attached card and drop it in the mail.*

NATION'S BUSINESS CLASSIFIED

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
$41	$36	$32	$24	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

APPAREL/UNIFORMS

Neck Ties Narrowed
Rediscover some old friends. We'll narrow your closet classics to a stylish 3¼" (or state width). Great birthday or Christmas gift. Send $13.50 for each set of 3 ties to: **SLIM TIES CO.** 44 Monterey Blvd., Dept. K, San Francisco, CA 94131 **(415) 585-6100**

AUTOMOTIVE

Cadillacs, Mercedes, Porsche, etc. direct from Government. Seized in drug raids. Available your areas. Save $thousands$. 216-453-3000, Ext. A8143.

BUSINESS OPPORTUNITIES

FREE REPORT: Earn up to $7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, #BN-8, Box 4309, West Covina, CA 91791.

BEST KEPT SECRET. Earn profits of $50,000 to $150,000 with investment as low as $50,000 owning a CHECK CASHING SERVICE. Extremely liquid "inventory." CHECK EXPRESS, 707 SE 122nd Ave., Portland, OR 97233. (503) 255-1127.

INCREASE SALES — USE AN 800 LINE!
RESULTS GUARANTEED
Unique firm offers an 800 line for as little as $35 per month. In addition, we warehouse, process major credit cards & ship for easy mail order start-up/testing. We can act as your sales office in Washington, Switzerland, France or Kuwait. WATS/Telex & addresses available for your letterhead, etc. For details, call anytime:
TELEREP 800 (800) 638-2000
(800-631-4300 in MD)

Become a mail-order guidance counselor...
Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)

We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. $495 required if accepted. Up to 300% profit—millions of names available yearly.
1-800-USA-1221
ACADEMIC GUIDANCE SERVICES

15,000 BUSINESSES FROM COAST TO COAST
No Brokerage Commission
Inquiries & listings welcome
BUSINESS OWNERS MULTIPLE LISTING SERVICE
Toll-Free 800-327-9630
In Fla: call 305-462-2524

BUSINESS OPPORTUNITIES

Trial Subscription absolutely free. Send name, address, zip to Spare Time Money Making Opportunities magazine, Dept. T-87, 5810 W. Oklahoma Ave., Milwaukee, WI 53219.

Several going MAIL ORDER businesses for sale. All relocatable. Write WNW Business Listing Service, Box 4293-NB, Wichita Falls, TX 76308.

START YOUR OWN PROFITABLE BUSINESS AT HOME. Write for free details today: Home Business Services, 415 Country Lane, Cocoa, FL 32926. Dept. NB-5.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. A-1559, Woodland Hills, California 91367

FOREIGN TRADE FAIR NEWSLETTER: Lists new products offered by foreign manufacturers to U.S. firms. Free details. International Index, Box 636 NB, Newark, NJ 07101.

ARAB BUSINESSMEN
HAVE MONEY TO BUY & INVEST.
Top finders fee paid. Dept. 887NB1.
Box 100, Nation's Business

INVESTORS NEEDED
FOR A WESTERN PENNSYLVANIA FUNERAL BUSINESS
START-UP OPERATION
BOX 110, Nation's Business

DISTRIBUTE GUARANTEED NO-RUN PANTYHOSE. Sheer. 36 colors, 5 styles. No inventory. MLM. Lucrative commissions. A&S Assoc., Dept. NB, 7807 Seville Circle, Bradenton, FL 33529.

EXCEPTIONAL OPPORTUNITY. Earn $50,000/$100,000 annually learning prestigious loan brokerage. Start immediately. No experience required. Company support. American Fidelity, PO Box 9185-T8, Charleston, SC 29410.

BIG INCOME AS A REP
How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

FREE CATALOG of Multi-Level Marketing Mailing Lists. 268,000 names for rent. Earn big $$$. Sponsor downliners the easy, profitable way by mail. C. Possick, Box 59001-NB, N. Redington Bch, FL 33708. 813-391-4145.

Do You Have A Product?
We'll sell it on national TV, produce a hard hitting TV commercial and ship for a percentage of profit.
HAROLD STANLEY, TV MARKETING ASSOC.
1451 West Cypress Creek Rd.
Ft. Lauderdale, FL 33309
305-772-4466

GINGISS FORMALWEAR IS GROWING!
235 Locations
World's largest, 50-year-old chain will open 15-20 new locations in 1987. The formalwear industry has almost doubled in the past 5 years and there's no end in sight. Never have there been more formal weddings, proms and black-tie special events than in 1986. This high ticket, high gross profit and low break-even business can be yours without any previous retail knowledge. We provide training, site selection, partial financing and national advertising. Single and multiple store potential for qualified individuals. Ideal second income source for non-working spouse. Minimum cash investment $75,000-$90,000 per store. **For further details, call John Heiser or Sherry Carroll TOLL FREE 1-800-621-7125, in Illinois call (312) 236-2333, or write GINGISS INTERNATIONAL, INC., 180 N. LaSalle, Chicago, IL 60601.**

Money grows on trees.
On the cedar trees of Lindal Cedar Homes and Justus Log Homes. The world's most popular custom cedar homes. And right now we're looking for a good dealer in many areas.
Call us toll free at
1-800-221-6063.
(No franchise fee.)
Because money grows in cedar.

LINDAL CEDAR HOMES
P.O. Box 24426, Seattle, WA 98124 (206) 725-0900

BUSINESS OPPORTUNITIES

SAMPLE SUCCESS: Rent 'n try $50,000 part-time prestige business for $99.95 (or less). Write: National Housing Inspections, 1817 Northhills, Knoxville, TN 37917.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 57, Montvale, NJ 07645.

MILLIONS NEED LOANS/CREDIT
Cash in with your own prestigious money consulting business. No educational requirement. Start part-time. 10-year old national firm provides training, support. FREE Valuable Report. PFA, Box 697-G2N, Dana Point, CA 92629. 714-240-0405, X104-G2N.

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE. Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available. Established since 1966. For information write: Manufacturers' Agents' Newsletter, Dept. 130A, 23573 Prospect Avenue, Farmington, MI 48024.

BUSINESS SERVICES/AIDS

VENTURE CAPITAL RESOURCE FOUNDATION. Complete business plan & idea development services & presentation to prequalified sources of venture capital. 415-375-8494.

FORECASTING WITH YOUR IBM PC
For a free brochure send your business card to: Standard Econometrics, Box 44026, Indianapolis, IN 46244.

RUBBER STAMPS SHIPPED SAME DAY if ordered before 1 PM. Phone orders accepted. C.O.D., VISA/MASTERCARD. 1-800-STAMPS2.

PRE-EMPLOYMENT
SCREENING PROGRAM
1-800-225-2499, Wash/Metro: 370-1999

GOVERNMENT FUNDING. Boundless financing sources for real estate, business & personal. For full details send $30 (incls. S&H): AFA Resources, Box 3124CRS, Johnson City, TN 37602.

PREPARE A BUSINESS PLAN THAT GETS FUNDED!
NEW 3-step system provides **Business Plan Presentation™ Powerful Proforma™ & CapitalLINK™**
Call for **FREE** info pkg.
24 hours **800/553-5454 ext.2020**
A success proven system used for years by consultants. Now available direct to you from **Strategic Management Institute**
In Ohio call 800/282-0746

before you hire
CROSS OUT THE CROOKS*

*(over 40% of people are dishonest)
Nationwide hundreds of Corporations use P.O.S. PRE-EMPLOYMENT OPINION SURVEY
(a one page questionnaire)
- PROVEN VALID
- LEGAL IN ALL STATES
- EASY TO UTILIZE
- COST VERY LITTLE

For complete information write or phone (Toll Free)
P.O.S. Corporation
P.O. Box 48232 • Chicago, IL 60648
1-800 — 621-4008

CARPET

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
Big savings — all qualities business & home carpets. Call, visit, or write requirements with $10 for samples (refundable upon return or purchase). I-75, exit 135, (3004 Parquet Rd.) Dalton, GA 30720. 1-800-241-4064, ext. 79. In GA: 404-277-3690.

NATION'S BUSINESS CLASSIFIED

CARPET

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
Built-in Resistance to Stain, Soil, Static & Wear
Call or write for brochure and samples: BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 404-277-1151. Established 1949.
Buy direct from mill outlet and save!

COMPUTERS/ACCESSORIES/SOFTWARE

Radio Shack Tandy
Our 10th year of **DISCOUNTS** • Below **GSA**
COMPUTERS & CELLULAR PHONES
Fgt. Prepaid. Save Tax
Toll Free **800-231-3680**
MARYMAC INDUSTRIES INC
22511 Katy Fwy., Katy (Houston) TX 77450
1-713-392-0747 Telex: 774132

SOFTWARE for PC's
30% OFF!
Most major Brands
CALL 800-631-9690
In CT 203-366-1966
CALL NOW & GET **FREE**
64-page POCKET ROAD ATLAS
with any order
TSI Company Inc.
1322 North Ave., Bridgeport, CT 06604

EDUCATION/TRAINING PROGRAMS

BA, MA, MBA & PhD degrees in Bus/Econ. by tutorials & testing. CHASE UNIVERSITY, 2144 South 1100 East, Suite 150-175, Salt Lake City, UT 84106; 801-32C-HASE.

College Dropout?
Finish Your Degree Through CITY UNIVERSITY LOS ANGELES. Bachelor/Master/Doctorate/Law. 3960 Wilshire Blvd., Los Angeles, CA 90010. 213-382-3801. 1-800-262-8388.

BRITIAN'S largest non-residential independent university offers degree programmes including Higher Doctorates in a wide range of subjects. For a prospectus send $8. to: Somerset University, Ilminster, Somerset, TA19 OBQ England. Tel: (0460) 57255.

FREE COLLEGE TAPE External Degree Programs Business Administration, Public Administration, LAW (Qualify Bar Admission), Fully Accredited, Financial Aid. (800) 847-0005, (314) 426-0653. LaSalle University, 3628 Saint Gregory, B52, Saint Louis, Missouri 63074.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 4532 West Napoleon Ave., Metairie, LA 70001. (800) 433-5925 or 433-5923.

EXECUTIVE GIFTS

SWISS WATCH REPLICAS! #1 USA Wholesaler! Exact Details, 18Kt. Goldplated! Warranty! PROMOTIONAL SUMMER SPECIAL! (404) 963-3USA.

FINANCE/INVESTMENTS

VENTURE CAPITAL RESOURCE FOUNDATION
Maximize your chance for funding. For more information call: 415-375-8494.

FRANCHISE OPPORTUNITIES/SERVICES

GET THE FACTS ON OVER 3,000 FRANCHISORS
1987 Franchise Annual Directory includes Handbook concerning what you should know before entering Franchise. 288 pages. $27.95 incl. postage. Money-back guar. INFO FRANCHISE NEWS, 728 K Center St, Lewiston, NY 14092.

VIDEO FRANCHISE. Join the video movie rental revolution. VIDEO BIZ, INC., with over 200 successful video stores nationwide, offers complete turnkey package. Includes store interior, all inventory, equipment & training. Only $72,000. For more info: 800-582-7347. In FL, 305-774-5000.

HOME/OFFICE FURNISHINGS

Furniture Shopping?
Over 150 major lines at discount prices. Call for quotes TOLL FREE: 1-800-438-3858 or write for info: The Furniture House of N.C., Inc., I-85 at Peeler Rd., PO Box 1591, Dept. 19, Salisbury, NC 28144.

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR
BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

"THANK YOU for such a great response to the article about my chairworks in the June 1987 issue of Nation's Business, pages 50-51. It's good to know so many people across the country are interested in quality handmade furniture." Respectfully, Greg Harkins.
Information & VCR Tape Available On Request
GREG HARKINS CHAIRS
P.O. Box 16165, Jackson, MS 39236
601-362-4233

IMPORT/EXPORT

HOW TO IMPORT/EXPORT
Sources, etc. Kitco, Drawer 6266-N, Kansas City, Kansas 66106.

INSURANCE

LEGALLY TRAINED INSURANCE CONSULTANT
Available for setting up captives, professional liability consulting, claims, litigation supervision. 312-498-2938.

INVENTIONS

HAVE AN IDEA, INVENTION, OR NEW PRODUCT? Don't know what to do? Call AIM, we may be able to help. Call for free info kit, toll free 1-800-225-5800.

INVENTIONS, IDEAS TECHNOLOGY WANTED!
Call Toll Free 1-800-288-IDEA.
Canada, 1-800-528-6060. X831.

INVENTORS!! Innovation Center in Washington, D.C. will assist you through Research and Development! For free information: (800)257-7880. In Canada: (800)443-2806.

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORPORATION for free information. Over a decade of service. 1-800-338-5656. In Massachusetts or Canada call: (413) 568-3753.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 (in ILL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category available. Details: GOC/35S, Box 1107, Stuart, FL 33494. Or call for free consultation, 800-554-LIST or 305-334-5205.

MANUFACTURING

WANTED VINYL CASEMENT WINDOW MANUFACTURERS Contact Vinylume Products for an opportunity to manufacture vinyl casement windows plus a complete line of vinyl replacement windows & vinyl storm windows. KD programs available. Exclusive territories available. Minimal investment required. Call or write for details: VINYLUME PRODUCTS, INC., 904 Tod Ave., Youngstown, OH 44502. 216-744-4153.

COMPUTERS/ACCESSORIES/SOFTWARE

PRINTING

EZ SELF-INKING STAMP

- Up to 5 Lines, 24 letters/spaces per line
- Imprint size 1" x 2¼"
- Your choice centered or flush left
- Your order shipped in 5 days
- CT Res. add 7.5% tax

Only $12.99 EACH

Send check or money order to: SATISFACTION GUARANTEED
C.A.I. Dept. NB, 236 Main St. Derby, CT 06418 203-732-4631

REAL ESTATE

NON-QUALIFYING $98,000 MORTGAGE. 4bdr., 3bth, pool home. ONLY $129,900. Holland Associates, Inc., 472 Clearwater-Largo Rd. North, Largo, FL 34640. 813-584-6261.

WASH D.C./CHEVY CHASE, MD: Elegant, large condo in prestigious D.C. suburb. Formal LR/DR & library. Excellent investment or use as home. Call: Robert Tharp, Chevy Chase Office, Long & Foster Realtors, 202-364-6166.

RETIREMENT/VACATION/INVESTMENT PROPERTY
SEVEN LAKES-Pinehurst, NC area. Est. 5000 acre private resort. Golf & tennis; boating, fishing & swimming; riding; 24/hr security. Homes & homesites available. Private amenities to owners. Free info: Carolina Landmark, PO Box 463, West End, NC 27376. 919-673-1311.

SEMINARS/CONFERENCES/CONVENTIONS

ATTENTION MEETING PLANNERS
Your program will be terrific with our speakers. Call us for ideas. National News Speakers Bureau, 1199 National Press Bldg., Wash., DC 20045. 202-638-7468.

SUCCESS LEADERS SPEAKER SERVICE
Jordan Enterprises provides business, gov't leaders, convention keynoters, sales mgmt. trainers, humorists, entertainers, celebrities. Margaret M. or Dr. DuPree Jordan, Communications Center, Box 1400, Roswell, GA 30077. 404-261-1122. Meeting Planners call 1-800-ORATORS (672-8677).

TELEPHONE/TELEX SERVICES/EQUIPMENT

GUARANTEED LOWEST COSTS
WATS/Telex Service
TELEREP 800 (800) 638-2000 800-831-4300 in MD.

TRAVEL/VACATION RENTALS/EXCHANGES

HAWAII CONDOS at WAILEA, Maui. Superb, safe beaches, pools, tennis. Save up to $35 on green fees on 2 championship courses. Contact owner at 1-800-367-2950.

AMELIA ISLAND, FL: Choice villas & homes on Amelia Island Plantation & other beachfront units. Call AMELIA RENTALS toll free, 800-874-6679 (in FL: 904-261-9129).

ST. CROIX VILLA: Maid, pool, 4/16-12/14, $750/wk; 12/15-4/15, $1500/wk. Low airfares. Bev Collins, Wright Ln, Westford, MA 01886. 617-692-8813. Also, homesite w/expansive sea view for sale.

COMPUTERS/ACCESSORIES/SOFTWARE

NEW SOFTWARE? Forms That Fit. Use Coupon Below

THIS COUPON EARNS

$20

CREDIT ON YOUR FIRST
ORDER OF CONTINUOUS FORMS:

SIX TYPE CHOICES

FIVE COLOR CHOICES

1, 3 OR 5 DAY TURNAROUND

SATISFACTION ABSOLUTELY GUARANTEED

CHECKS • INVOICES • STATEMENTS

LETTERHEADS, ENVELOPES, ETC. THERE ARE NO FINER FORMS. SAVE THIS COUPON FOR $20 DISCOUNT. CALL (800) 854-2750 NATIONWIDE OR (800) 552-8817 CALIFORNIA OR (800) 336-2961 ALASKA OR (619) 588-9903 LOCAL. CHECKS-TO-GO INC., P.O. BOX 22002, EL CAJON, CA 92022-2002

Direct Line

Answers to questions about book publishing, franchising, selling overseas, mailing services and marketing.

Publishing Road Needn't Be Rocky

My wife and I have written a travel guide for Colorado. We would like to have the book published and distributed nationally. How can we do this?
M.D., Breckenridge, Colo.

A number of publishers accept travel books such as yours. Two of them are Americana Press, P.O. Box 9747, Washington, D.C. 20016 and Henry Holt & Company, Inc., 521 Fifth Ave., New York, N.Y. 10175.

If your book is accepted, the publisher will handle distribution.

How To Franchise

Is there a publication that lists franchising opportunities in all industries? Also, is there a definitive "how to" book on franchising?
J.G.B., Providence, R.I.

Three good listings of franchisors are: *1987 Franchise Annual*, Franchise News, Inc., 728 Center St., P.O. Box 550, Lewiston, N.Y. 14092; *Franchise Opportunities Handbook*, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; and *Source Book of Franchise Opportunities*, Dow Jones-Irwin, Homewood, Ill. 60430.

For more information on the pitfalls and rewards of franchising, try *The Insider's Guide to Franchising*, written by Bryce Webster and published by the American Management Association, and *Franchising: The How-To Book*, written by Lloyd T. Tarbutton for the International Franchise Association.

For the former book, write Special Sales Department, AMACOM, 135 West 50th St., New York, N.Y. 10020; for the latter, write Prentice-Hall, Inc., Business and Professional Books Division, Englewood Cliffs, N.J. 07632.

Selling Abroad

I am a small-business owner—I have a four-man shop—and would like to begin selling my product internationally. What should I do?
D.S., Cleveland, Ohio

The International Trade Administration of the Department of Commerce offers many programs and services to American businesses seeking to open shop in the international marketplace. Services include organizing trade-promotion events, conducting market research and monitoring foreign government practices and sales opportunities.

ILLUSTRATION: WILLIAM COULTER

For more information on ITA programs, call the office of business liaison at (202) 377-3942.

Mail Wanted

I am opening a business that will provide mailing services for other companies. These services will include picking up documents, preparing mailing labels, stuffing documents into envelopes, ZIP-code sorting and taking mail to the post office. How can I establish a customer base?
B.M., Hollywood, Fla.

Many small and mid-sized businesses and professionals use services such as yours to avoid having to hire full-time employees and set up mail rooms.

Contacting your state and local chambers of commerce is the best way to obtain lists of businesses in your area and their owners.

The chief executive officers and addresses for the chambers in your area are: Frank M. Ryll, Jr., State of Florida Chamber of Commerce, 136 S. Bronough St., Tallahassee, Fla. 32302; and W.G. Strawbridge, Chamber of Commerce of South Brevard County, 1005 East Strawbridge Ave., Melbourne, Fla. 32901-4782.

Sell Yourself

I find myself in a very competitive business situation but believe I can succeed in time. How can I convince potential customers to listen to my story and focus on the differences between competing products and mine?
R.A., Greenville, S.C.

Marketing approaches vary widely. They can be determined by a multitude of factors, including service or product offered, size of business, available funds and potential customer base.

If you can afford to hire an advertising agency, do so. They are experienced in developing effective advertising and marketing plans and implementing them.

But choose your ad agency carefully because they can be costly. If possible, talk with other businesses in your area about various local agencies. Pick one that seems to have obtained good results with budgets and products or services similar to yours.

If you must prepare a marketing campaign yourself, develop a customer presentation, supported by high-quality printed materials, that clearly describes why your product is superior.

You also can enhance name recognition through community service activities and sponsorship of athletic teams, youth groups and the like.

Clarification

In a recent Direct Line, you said that directors of nonprofit entities in New Hampshire, like those in 12 other states, are protected from liability.

Upon further investigation, I discovered that the New Hampshire law to which you referred applies only to "charitable organizations or societies." While these groups are likely nonprofit, many nonprofit groups are not charitable.
W.H., New Castle, N.H.

How To Ask

Have a business-related question?

Write to: Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

LESSONS OF LEADERSHIP

Slow And Steady Wins The Race

Charles K. Nishioka's solid style of entrepreneurship typifies American small business.

By Roger Thompson

For most small-business owners, success is achieved over a lifetime, not in a quick dash to fame and fortune. Success can't be rushed by high hopes or even hard work. Rather, it comes incrementally—the product of patience, perseverance and a bit of luck.

This is certainly the case for Charles K. Nishioka of Hawaii, this year's national Small Business Person of the Year, an award bestowed by the Small Business Administration. Nishioka, 72, has been down, but never out, in his lifelong climb from teenage house servant and fruit peddler to chairman of three thriving family businesses that pull in over $1.3 million a year.

"Charles Nishioka is a near-perfect example of the self-made, successful small-business owner," declared the SBA in announcing his award on May 12. President Reagan, in a White House ceremony, congratulated Nishioka and his family, saying: "You are the backbone of America."

Nishioka received this praise with characteristic humility. "I was really shocked when the announcement was made," he said, fresh from an awards ceremony at a Washington hotel the day after learning of his selection from among the state winners. "I went around all afternoon and this morning in a daze."

"Papa Nishioka," as his many friends know him, is chairman of Charles K. Nishioka & Son, which operates Charley's Auto Parts, Charley's General Tire Service and Charley's 1-Hour Photo. The businesses employ 32 people in Waipahu, 15 miles outside Honolulu.

Waipahu has grown from a sleepy farm hamlet into a bustling city of nearly 40,000 in the 42 years since Nishioka, then a farmer, settled there with his wife and two young children in a home without plumbing or electricity.

His climb to success lacked the attention-grabbing qualities of headline news. When he was named Hawaii Small Business Person of the year in late April, the Honolulu newspaper combed its files and found only infrequent mention of him over the years, mostly for civic—not business—activities.

Yet, Nishioka's is a classic adventure story of success American-style. The details of his life flowed easily during an interview in Washington before he, Elsie, his wife of 51 years, son Saxon and his fiancée Linda, returned home.

Charley Nishioka still comes in to work every day, even though he turned over day-to-day management of the family's three businesses to his son Saxon in 1980. President Reagan praised Nishioka's determination, calling him "the backbone of America."

PHOTOS KEN SAKAMOTO—BLACK STAR

Nishioka was one of seven children of Japanese immigrant parents. His father earned a modest living working as a houseboy. While still in school, he worked odd jobs to supplement the family income.

"When I finished grade school [eighth grade], my father put his foot down and said, 'No more school for you.' He already had found a job for me, at a dollar a day" at a sugar plantation. But Nishioka wanted to continue his schooling. "I felt that if I furthered my education, maybe I could double my income." Against his father's wishes, he finished high school and held down a job as a live-in houseboy to pay his way.

At age 19, only weeks before high school graduation, Nishioka hired on with a local farmer to oversee construction of a poultry farm. He hoped to take over as foreman when the job was completed. The owner hired a college agriculture graduate instead. "I was very humiliated, so I quit," Nishioka recalls.

He and Elsie were married in 1936, and he felt a responsibility to reach for higher goals. After taking an engine repair correspondence course and working as a country club maintenance man, Nishioka applied for a Farm Security Administration loan to start a chicken farm of his own.

The answer was "no"—too young and not enough experience, the agency administrator told Nishioka. Determined, Nishioka constructed his own mini-farm with 12 hens and kept detailed records of the feed consumed, egg production and sales. After some weeks, he used the figures to project costs and earnings for a farm with 1,000 hens and confidently returned to the Farm Security Administration for a second attempt at securing a loan. He did not bother to mention that his figures were projections, not actual records.

The skeptical agency administrator immediately asked to see the farm. "I figured, 'now I'm in big trouble.'" He was wrong. Even after the administrator learned the truth, he was so im-

LESSONS OF LEADERSHIP

Slow And Steady Wins The Race

In front of the family firms are Elaine Yoshioka (daughter), Elsie Nishioka , Charley Nishioka, Saxon Nishioka, Lloyd Yoshioka (grandson), Michelle Yoshioka (granddaughter).

pressed that he helped Nishioka secure a $10,000 loan.

In the spring of 1937, Nishioka, at age 22, bought a small parcel of land near Pearl Harbor and began, with Elsie's help, the arduous task of clearing the dense tropical growth. Three years passed before the first chicken house was ready. Just as the business was about to get on its feet, World War II broke out.

Within days of the Dec. 7, 1941, surprise attack on Pearl Harbor, the Nishiokas received notice that they could not stay on the farm at night.

"There was a lot of pressure because we were Japanese. To show our loyalty, they wanted us [Japanese islanders] to volunteer for military service. So I volunteered, and they signed me up. My son was 4, and my daughter was 2. I got the papers.

"Then one day the farm administrator came down and said that I couldn't do that. I said I wanted to do my share for my country. But he said, 'You repay your $10,000 loan, then you can go into the Army.'" Nishioka never entered military service.

In the spring of 1944, the government confiscated the farm property and gave Nishioka 30 days to move his buildings and 1,000 chickens. The Nishiokas left their home behind. Nishioka negotiated a partnership with a local farmer, on whose property he reconstructed his chicken houses. But the partnership quickly soured, and Nishioka sold out. He used the proceeds to start over as a vegetable farmer, moving the family to a remote area near Waipahu.

He was not bitter about losing his farm. "We felt at that time it was our duty. It was our share for the war effort. I don't feel any animosity."

His new farm venture proved very profitable until the war ended, when competition from California imports knocked the props from under local fruit and vegetable prices. To make matters worse, several years of failed crops drove Nishioka $20,000 into debt—a huge amount by prevailing standards. By the end of the decade, he saw his dreams for success receding again.

Just when he didn't know where to turn, Nishioka was approached by the owner of a Waipahu Standard Oil service station. The man was desperate and asked Nishioka to buy the station, which already had failed twice under previous managers. He had advertised to sell it, but had no takers. Nishioka initially refused the offer, saying he didn't have the requisite $10,000. But the owner persisted, and a deal was struck on Christmas Eve, 1951. Nishioka bought the station with several hundred dollars cash he had in his pocket from the sale of a truckload of Chinese cabbage. That night, he and Elsie were out pumping gas.

The community did not support Nishioka at first. And the local bank refused his application for a $1,000 loan. "People said, 'What is Charley Nishioka trying to prove? Two mechanics went broke over here, and he's just a farmer.' That really charged me. I said [to myself], 'I'll show you.' That was the point of no return. I *had* to succeed."

Nishioka says he built his business on a foundation of honesty and integrity, which resulted in customer loyalty. He illustrates the point with a story from the early 1950s: A school teacher drove into his station early one evening and asked if Nishioka could repair her headlights. He quickly identified the problem as a loose wire, tightened it, and told the woman, "no charge." She was expecting to pay for the service and was so gratified by this gesture that she remained a loyal customer for more than 30 years.

The business prospered, and by the end of the decade Nishioka owned two more Standard Oil stations. He won statewide sales awards and company-paid trips to New York and the Bahamas early in the 1960s. But the strain of seven-day workweeks and 18-hour days was wearing on his health. Upon the advice of a friend, he began to sell auto parts from this first service station. And in 1964 he built an auto parts store.

Five years later, he opened a tire store and auto repair shop next door and sold all his interest in the three service stations.

In 1980 Nishioka turned over day-to-day management of the businesses to Saxon. But he continues to work closely with his son as an "adviser and consultant."

Two years later, while chaperoning high school students on a trip to Japan, Nishioka noticed an abundance of quick-photo-development stores and decided to start one back home. He put longtime employee Viola Uyeno, who pumped gas at the first service station 32 years before, in charge.

It isn't just Nishioka's business acumen that impresses George Okano, vice president of the Waipahu branch of the Bank of Hawaii and the man who nominated Nishioka for the state small business person award. Okano points out that Nishioka also is a tireless booster of the local community, starting a Rotary club, working with the Boy Scouts for more than 30 years, participating in several business associations and serving as an active member of his church. His philosophy, says Okano, is to give back to the community.

In fact, when customers stop by these days to congratulate Nishioka on his award, he replies: "The honor goes to the whole community that has supported us all these years." NB

COMMENTARY

Congressional Alert

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

ISSUE	BUSINESS IMPACT	BUSINESS MESSAGE
Taxes	Proposed tax increases—$70 billion over three years—will impede economic growth, reduce America's standard of living, increase unemployment and limit opportunities available to the least fortunate.	Members of the House and Senate: To sustain economic growth, control federal spending and reduce the deficit without raising taxes. Oppose massive tax increases that have been proposed to pay for increased federal spending.
Jobs Tax	Congress may consider legislation to make businesses pay an extra $1.25 billion annually into the federal unemployment compensation trust fund. A special "jobs tax," enacted in 1976 to repay the trust fund for extended unemployment benefits, expires in January. But it may be extended to pay for additional training, education and relocation of the long-term unemployed.	Members of the House and Senate: Oppose legislation extending the "jobs tax." Businesses have paid their debt to the unemployment compensation trust fund and should not be subjected to further taxation. Do not burden businesses with excessive costs that preclude their expanding and creating jobs. Reduce unnecessary spending rather than increase business taxes.
Balanced-Budget Amendment	Business would benefit from enactment of a constitutional amendment requiring a balanced federal budget. Continuously high federal deficits have intensified the need for a balanced-budget amendment.	Members of the House and Senate: Support a balanced-budget constitutional amendment that would place limits on federal spending. This amendment is crucial for the economy and U.S. competitiveness.
Double Breasting	The House approved a bill to prohibit the construction industry practice of double breasting, in which separate companies with common ownership, management or control operate union or nonunion shops. The bill would define such companies as a "single employer," providing union organizers with a significant advantage by subjecting employees of the nonunion companies to collective-bargaining agreements.	Members of the Senate: Oppose legislative attempts to upset the balance in construction labor-management relations. Oppose the prohibition of separate shop operations. Support freedom of choice for workers to decide whether they wish to be represented by a union. It would be unreasonable to consider indirectly related separate companies as a single employer, without regard to function or location.
Health-Care Coverage	Legislation requiring all employers to pay for health-care coverage—including catastrophic-illness coverage—for employees and requiring employees to accept such coverage would increase labor costs and reduce job creation. At a time of intense international competition, increased labor costs would hurt employers and employees alike.	Members of the House and Senate: Oppose legislation requiring employers to provide health-care coverage. Such a requirement would increase labor costs and impede job creation. The voluntary, private-sector employee benefits system allows employees to choose the benefits they prefer and employers to provide the benefits they can afford.
Parental Leave	Congress is considering bills that require employers to provide 18 weeks of unpaid, job-protected leave for employees with newly born or sick children or seriously ill dependent parents and 26 weeks of unpaid, job-protected leave for seriously ill employees. These bills also establish commissions to study implementing paid leave.	Members of the House and Senate: Oppose any legislation that would require parental, elder care and disability leave. Mandated leave would prohibit employers from offering customized benefit packages to meet employee needs. Also, the proposals violate a manager's right to manage and add significantly to the costs of business.

COMMENTARY

Editorials

"Political power must be assiduously cultivated and, when necessary, must be used aggressively."

Lewis F. Powell, Jr.: His Warning Brought A New Era Of Business Activism

Business came under heavy attack during the upheavals that wracked the nation in the late 1960s and early 1970s. Corporate America was assailed as the cause of practically all of the nation's social ills.

And that cry was not heard only in the streets dominated by the era's radicals. The houses of Congress, the lecture halls of the country's most prestigious universities, pulpits and the national media provided other forums.

Radicals chose violence against business property to try toppling the enterprise system. Others offered a more insidious course—government domination of the marketplace.

Among those deeply troubled by developments was a Richmond, Va., lawyer with an appreciation of how critical the free enterprise system was to the survival of this country. He not only defined the long-range implications of the assault on that system, he also offered a plan for a counterattack.

A friend, who was a member of the board of the U.S. Chamber of Commerce, asked the lawyer to put his views on paper. The result was the Powell Memorandum, a hard-hitting document that jolted the business community in 1971. Its author, Lewis F. Powell, Jr., would soon become an associate justice of the U.S. Supreme Court. In his memorandum, he asked:

"What has been the response of business to this massive assault upon its philosophy, upon its right to continue to manage its own affairs and, indeed, upon its integrity?"

His answer: "The painful, sad truth is that business ... [has] responded, if at all, by appeasement, ineptitude and ignoring the problem. ... Business and the enterprise system are in deep trouble, and the hour is late."

The first and overriding need, Powell wrote, "is for businessmen to confront this problem as a primary responsibility of corporate management" and to "recognize that the ultimate issue may be survival ... of what we call the free-enterprise system."

PHOTO: © 1986 KEN HEINEN

Retiring Justice Lewis F. Powell, Jr.: Friend to free enterprise.

Two of the most far-reaching recommendations of the Powell Memorandum called for business to carry the fight into two arenas it had long been reluctant to enter on any organized, systematic basis—politics and the courts.

Labor and other self-interest groups, he wrote, had learned that "political power is necessary; that such power must be assiduously cultivated; and that when necessary, it must be used aggressively and with determination."

As far as the courts were concerned, he wrote, "Perhaps the most active exploiters of the judicial system have been groups ranging in political orientation from 'liberal' to the far left .... Their success, often at business' expense, has not been inconsequential."

The U.S. Chamber of Commerce took the lead in implementing provisions of the Powell Memorandum: The Chamber launched in 1978 a political-action program that backs congressional candidates who support the business position on public-policy questions. Nearly 75 percent of all candidates endorsed by the Chamber have won, and the victory margin has been nearly 60 percent for contests in which the pro-business candidates have been in particularly close races.

And the National Chamber Litigation Center, launched in 1977, has represented the business position in 210 court cases in its 10 years of activity and has won 60 percent of them.

The dramatic increase in business activism since the early 1970s has helped awaken the public to the threat that a constantly expanding government poses to personal and economic freedom. That awareness, in turn, produced the Reagan era of tax reduction, deregulation of major sectors of the economy and the end of the massive governmental growth that had begun a half-century earlier.

The battle to protect the enterprise system is not over, and it probably never will be. But business today is waging that battle from a base of strength, effectiveness and public support.

Lewis Powell's call to action 16 years ago was a major factor in the building of that base.

Justice Powell is most deserving of the tributes paid to him for his Supreme Court service, which ended recently with his retirement. He also deserves the nation's gratitude for the historic role he played as a catalyst for the business activism that pulled the American enterprise system from the brink. NB


Chevy has a full line of ways for you to do business with vans. Including ones big enough for the jobs some vans would have to leave on the dock.
We have full-size vans. Big vans with the big plus of standard Vortec V6 power. Or available fuel-injected 350 V8 power. And a full line with diesel power.
And even bigger vans. Like that Step-Van for loads lesser vans just can't handle. And Hi-Cubes with dual wheels and GVWRs up to 10,000 lbs. And every one can be outfitted just the way you need it. In fact, the bigger the business you do with vans, the bigger the reasons to call on Chevy.
NOTHING WORKS LIKE A CHEVY TRUCK
CHEVROLET